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THE WHITE HOUSE

Washington

July 1, 1949

TO ALL EXECUTIVE AGENCIES:

By virtue of the authority vested in me by section 205(a) of the Act entitled "An Act to simplify the procurement, utilization and disposal of Government property, to reorganize certain agencies of the Government, and for other purposes," approved June 30, 1949 (the Federal Property and Administrative Services Act of 1949) it is hereby directed that:

1. In cooperation with other interested agencies, the Administrator of General Services shall institute studies and surveys to determine the extent to which existing policies, procedures and directives heretofore promulgated and remaining in force under section 501 of the Act, should be modified or revoked in the interest of promoting greater economy and efficiency in accomplishing the purposes of this Act. Careful attention shall be given to determining the degree of centralization in the General Services Administration to be attained in the performance of the functions involved. When these studies and surveys have been completed and after consulting with the interested agencies, the Administrator shall prescribe such regulations as may be necessary to implement the determinations resulting from such studies and surveys.

2. After consultation with the Bureau of the Budget and other Executive agencies, and also with the General Accounting Office in respect of such matters as may be appropriate, including matters affecting its functions under sections 205(b) and 206(c) of the Act, and at the earliest possible date, the Administrator of General Services shall establish such standards, prescribe such regulations, and prepare and issue such manuals and procedures as may be necessary to guide all Executive agencies in ascertaining whether their operations in the field of property and records management are efficient and economical as well as consistent with established Government policies.

3. In accordance with directives to be issued by the Administrator of General Services, each Executive agency shall promptly institute surveys to determine excess personal property and that portion of excess real property, including unimproved property, under their control which might be suitable for office, storage, and related facilities, and shall promptly report to the Administrator as soon as each survey is completed.

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4. Each Executive agency shall carefully plan and schedule its requirements for supplies, equipment, materials and all other personal property in order that necessary stocks may be maintained at minimum levels and high-cost small-lot purchasing avoided.

5. Under section 201(c) of the Act, Executive agencies are permitted to apply exchange allowances and proceeds of sales in payment of property acquired. The Administrator shall promptly prescribe regulations specifying the extent to which Executive agencies may exercise this authority, and pending the issuance of such regulations, no Executive agency shall exercise this authority except to the extent permitted by, and in accordance with the provisions of, statutes in force prior to the taking effect of this Act.

6. Section 502(d) of the Act provides that certain programs and functions now being carried on by various Executive agencies shall not be impaired or affected by the provisions of the Act. However, the attention of these agencies is called specifically to the purposes of this legislation and they shall, insofar as practicable, procure, utilize and dispose of property in accordance with the provisions of the Act and the regulations issued thereunder in order that the greatest overall efficiency and economy may be effected. These same agencies shall also cooperate with the Administrator of General Services in the making of surveys of property and property management practices and in the establishment of inventory levels as provided in section 206(a)(1) and (2) of the Act.

/s/ Harry Truman

1st Ind.

JUL 6 1949

Services Officer
Budget Officer
Management Officer
General Counsel

The act referred to in paragraph 1 of the above memo from the President relative to the General Services Administration excludes this Agency from its provisions but requires to the extent possible we follow the provisions of the Act.

It is the desire of the Director that we cooperate in every possible way commensurate with the special problems and security.

FOR THE DIRECTOR OF CENTRAL INTELLIGENCE:

[redacted] 25X1A9a

Captain, USN
Executive

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MANAGEMENT IMPROVEMENT PROGRAM

I. The CIA Management Improvement Program is conducted under the general supervision of the Executive. The execution of the program is delegated to the Management Office and the Policy, Coordination and Control Staff. Each operating office of the Agency is responsible for effecting those management improvements falling within its sphere of activity. (with the assistance of the Management Office or as a result of Management's findings)

II. The Policy Coordination and Control Staff consisting of representatives from the Departments of State, Army, Navy and Air Force is assigned the following responsibilities:

a. Coordinate inter-departmental intelligence planning for accomplishment of the national intelligence mission.

b. Prepares for the Director with the assistance of CIA offices, the overall plans and policies for inter-agency intelligence coordination.

c. Furnishes counsel and advice to CIA offices on problems originating within CIA, but which may affect IAC agencies.

III. The Management Office was conceived and is maintained on the basis of a small efficient staff whose functions and responsibilities are to assist the Agency to function at maximum efficiency in accomplishing its mission. In order to perform the mission of improving the efficiency, effectiveness and economy of operations, the Management Office has been assigned responsibilities as indicated below:

a. Establishment and review of organizational structure and functions of each office and its subdivisions of CIA.

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b. Ascertainment of manpower requirements of organizational units.

c. Formulation of tables of organization.

d. Development of plans for administrative support activities based on planned program operations.

e. Supervision of allocation of personnel.

f. Establishment of personnel ceilings for operating offices and staff activities.

g. Providing overall agency operations analysis and uniform reporting.

h. Publications control.

i. Conducting Management surveys to uncover operational and administrative problems and deficiencies.

j. Provide assistance to operating offices in developing and installing simplified and improved work flow procedures and enhancing employee utilization.

k. Coordinates with Budget Officer in the development and preparation of agency budget estimates.

l. Operates the employee suggestion program.

m. Controls the purchase and utilization of office machines and equipment.

n. Controls the allocation of office reproduction equipment.

o. Keeps abreast of new developments and improvements in machine and administrative methods and techniques for possible adaptation to CIA activities.

IV. Top priority problems:

a. Major reorganization of CIA activities to provide centralized control of operational activities.

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b. Provision of a centralized unit for review, coordination and consolidation of requirements for intelligence material.

c. Utilization of business machines to maximum degree possible in maintenance of administrative materials and of an index to reference and other intelligence material.

V. Actions under way or proposed to solve known operating problems: (A project list indexted to the material below is attached indicating brief title of project, initiation and completion dates and the organizational units to which the projects have been assigned.)

a. Agency-wide problems:

1. The present method for preparing requirements for intelligence material has not proven entirely satisfactory from an overall agency standpoint. At present, there is a lack of complete coordination which has resulted in duplicated or incomplete requests. It is proposed to establish a committee composed of representatives of ORE, OCD, OSI, OO, and PWCS to review, coordinate and consolidate all intelligence requirements originating in CIA or received from IAC agencies prior to collection action.

2. An extensive business machine program has been established in CIA to assist in production of intelligence as well as efficient administration of housekeeping details. Those applications of most immediate value have been installed, however, it has been impossible to develop all possibilities due to the relatively short time since the organization of the agency. It is planned to continue to explore all activities of the agency to determine where machine methods will improve operations.

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3. A recent evaluation of dissemination of CIA-produced intelligence material indicates that in some instances recipients receive material not required in the performance of their activities, while in other cases sufficient distribution is not made to allow for efficient operations. In both cases, this mal-distribution has resulted in increased work for all concerned. A study is being made to determine more accurately the distribution needs of receiving agencies.

4. Prior to the present time, the management of agency records has not constituted a major problem. However, with the ever increasing accumulation of record material definite plans for an adequate records management program must be established. A complete agency-wide records management program is being organized to include an inventory of currently maintained records, evaluation of record material, establishment of disposal schedules, expansion of microfilm usages, standardization of file systems and equipment and establishment of an inactive records repository.

5. The rapid expansion of CIA has precluded the possibility of annual budget preparation on the basis of periodic review during the entire year prior to submission. This has resulted in inequitable workload distribution for all concerned with preparation of the budget. A program has been established and is being expanded to provide the detail of a budget analyst to each activity to assist in planning, periodic review and coordination of all phases of budget preparation on a program basis. Each program budget will be analyzed

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jointly by the Management and Budget Officers prior to submission to the Director of Central Intelligence.

6. The importance to the nation of the mission of CIA indicates the necessity for a sound agency employee career management program. It is planned to develop a personnel career management program which will make provision for the maximum development of employee interest, inherent abilities and aptitudes as well as for the best utilization of their acquired skills and accumulated knowledge. The program will include the sending of employees to school at government expense to acquire training in subjects necessary for the fulfillment of specialized activities of the agency.

7. The security concepts of the agency during the years of early development were such that employees were not provided with information of CIA activities other than that to which assigned. A review of the security concepts indicates that a broader employee orientation program is feasible and desireable: Efficiency, economy and effectiveness of operations will be improved through the currently planned employee orientation program.

8. Presently personnel are detailed to periods of duty from the [redacted]. The method of selection for detail has not always produced the most beneficial results to the Departments and CIA. A plan to provide for selection of personnel based on qualifications and assignment, including rotation is in the process of development.

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9. A lack of standardized office equipment and supplies has resulted from many factors including procurement from war surplus

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unavailability of standard items and the desires of offices for non-standard items. A standardization program has been developed and is being implemented as rapidly as circumstances will permit. The program is designed to increase productivity, save funds, reduce warehouse and procurement effort, and improve space utilization of all CIA offices.

10. The system of internal operational and administrative reporting does not provide complete coverage for comprehensive analytical purposes. It is planned to expand the reporting system to provide the coverage necessary to allow detailed analysis of strong and weak points, personnel utilization, workload, types and quantity of intelligence information being collected, etc., and to eliminate duplicate reporting.

11. Internal reorganizations and expansion of the CIA has created a problem with regard to allocation and utilization of available space. Constant surveys are made to balance space allocations to activity functions.

12. The intelligence publications of the agency are of such volume and importance that constant study is required of the many problems involved. These problems include format, quality, quantity, elimination of duplication, reproduction methods, equipment, supplies, coordination with Public Printer, etc. Special studies are made whenever new developments related to publications are initiated.

13. ORE researchers are faced with an increasing information reports evaluation workload. There is need to determine criteria for identifying information reports for which evaluation is necessary.

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Inter- and intra- agency discussions under chairmanship of PCCS is planned.

b. Management improvement activity required within OCD and the action under way to implement the improvement follows:

1. Define procurement responsibilities within OCD. Determine, through management survey and analysis, those segments of OCD who can most effectively procure the different kinds of intelligence data needed for CIA.

2. Specify the groups of materials which need not be processed, which backlogs should be processed, and the need for exploiting additional sources of intelligence materials. Adjustment of needs of users with workload potential of OCD branches.

3. Identify the scope of service for which OCD should carry responsibility balancing needs of users with manpower and machine potential of OCD branches.

4. Specify OCD responsibilities and procedures for providing adequate and simplified register service on scientific materials. Ascertaining OSI needs and OCD deficiencies on present service to OSI; then reallocating positions and personnel to satisfy the needs of OSI.

5. Consolidate the machine operations of OCD Registers - Management survey and analysis to determine organization, staffing and procedures.

6. Develop standardized criteria - and procedures for reproduction of materials held and disseminated by OCD - analysis of past reproduction activity in conjunction with consumer's needs

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and agency resources.

7. Establish policies, standards and procedures for presentation of information concerning holdings and facsimile of such holdings from OCD Registers and Library - Survey of past activity analyzed in conjunction with needs of consumers and OCD resources.

c. Office of Reports and Estimates

1. Presently no system is established to obtain an objective appraisal of the worth of intelligence produced by ORE. It is proposed that the Policy Coordination and Control Staff periodically obtain evaluations of ORE intelligence from the President, (through the Director and the National Security Council and other recipients). It is also proposed that a monthly comparison be graphically depicted in the Director's Handbook of major foreign policy decisions and ORE intelligence relating thereto.

2. Agency graphic services are organizationally located in ORE. Presently, indications point to poor production. A Management survey is proposed to determine and correct causes for slowdown in this operation.

3. A considerable editorial staff is now required in each of the organizational units of ORE. There is too much emphasis given to this activity. A Management survey is proposed to examine this activity and to present a summary of findings to the PCCS for determination of need for the present staff.

4. A large-scale foreign map procurement program is now in operation in the Map Branch. No time limitations have been imposed on this program. It is proposed that the PCCS will annually examine

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products of this program in conjunction with map holdings to determine need for continuing operations at the present level.

5. ORE information control activity at the office level duplicates OCD activity at the agency level. A Management survey will be conducted for the purpose of consolidation of ORE and OCD information control activities.

d. Office of Scientific Intelligence.

1. At present no system is established to obtain an objective appraisal of the worth of intelligence produced by OSI. It is proposed that the PCCS periodically obtain evaluations from the President and the National Security Council (and interested agencies).

2. OSI was recently established as a separate production office. This presents problems of providing methods to insure coordination of OSI and ORE activity - A working liaison is being established between all like components of the two offices.

3. The comparatively new emphasis on scientific intelligence presents the agency with a small nucleus of scientists to cope with a large production job. All possible administrative support is needed to build up the manpower of this activity and to otherwise assist in achieving scientific intelligence production. Large-scale recruitment is underway and all staffs of the Executive are supplying all possible assistance.

4. OSI operational liaison with other government agencies has not been clearly defined. Discussions are underway between OCD and OSI with Management office participation to resolve this problem.

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f. Office of Operations

1. The field collection and operational activities of CIA have been under the supervision and control of separate offices. In order to provide centralized control which will result in better administration and improve security of operations a reorganization is under way to consolidate field collection and operation activities into one office.

2. As the cost of field collection and operational activities is very high, an evaluation of value received compared with the cost of operations is essential. At present a comparison is made between the number of reports received from an individual field station and the number of reports from such station that are considered of

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value to disseminate. The Office of Reports and Estimates evaluates reports from the qualitative standpoint. By the above evaluations efficiency and effectiveness of each field station is judged. An analysis of present evaluation methods will be conducted to determine the best criteria to use in evaluation of field station productivity.

3. Public Law 110 requires that employees upon completion of two years continuous service abroad be recalled for leave purposes. The recruitment of overseas personnel has not yet reached a stage where new persons hired are for replacement or rotation purposes. It is proposed that a short-term and long-range rotation schedule for overseas employees be developed so that employees may return to this country for leave and advanced training after a tour of duty without having effectiveness of field operations.

VI. Activities to identify other operating problems by evaluating the efficiency and effectiveness of operations. The Policy, Coordinating and Control Staff and the Management Office by the examination of the above programs and in constant liaison with the other offices of CIA and the IAC agencies will be able to find operational problems now existing but unknown and those which may develop.

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PROJECT LIST

Project	Estimated Initiation Date	Estimated Completion Date	Assigned To:
Agency Wide			
1. Review of Intelligence Requirements.	August 1949	January 1950	Management, ORE, OSI, OCD, OO.
2. Expansion of Machine Methods.	1947	continuing	Management, OCD, and all Agency activities.
3. Dissemination of Intelligence Material.	July 1949	January 1950	OCD, PCCS, Management.
4. Records Management Program.	August 1949	continuing	Management, OCD, Services, OO.
5. Budget Preparation.	May 1949	continuing	Budget, Management, all Agency activities.
6. Career Management Program.	January 1950	July 1951	Management, Personnel.
7. Employee Orientation Program.	December 1949	March 1950	Management, Personnel, OO.
8. ~~Selection of IAC Personnel.~~	~~October 1949~~	~~December 1949~~	~~Executive, Management, Personnel, PCCS.~~
9. Standardization of Office Equipment and Supplies.	July 1948	June 1951	Management, Services.
10. Internal Reporting System.	January 1947	continuing	Management.
11. Space Allocation and Utilization.	August 1946	continuing	Services, Management.
12. Publications	August 1946	continuing	Services, Management, OO, ORE.
13. Evaluation of Information Reports.	September 1949	December 1949	PCCS, ORE, OO, OCD, OSI.
Office of Collection and Dissemination			
1. Information Procurement.	July 1949	January 1950	OCD, PCCS.
2. Intelligence Data Processing.	July 1949	January 1950	OCD, PCCS, Management.
3. Information Services.	September 1949	continuing	OCD, PCCS.
4. Scientific Information Service.	August 1949	January 1950	OCD, OSI, Management.
5. Organizational Consolidation.	September 1949	February 1950	OCD, Management.
6. Criteria for Reproduction Requests.	August 1949	November 1949	OCD, Management, Services.
7. Standards for Information Presentation.	September 1949	continuing	OCD, Management, PCCS.

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PROJECT LIST

Project	Estimated Initiation Date	Estimated Completion Date	Assigned To:
Office of Reports and Estimates			
1. Evaluation of ORE Intelligence.	October 1949	continuing	ORE, PCCS.
2. Graphics Services.	December 1949	January 1950	ORE, Management.
3. Editorial Activity.	January 1950	July 1950	ORE, Management, PCCS.
4. Map Procurement.	January 1950	June 1950	ORE, PCCS.
5. Information Control.	October 1949	December 1949	ORE, Management, OCD.
Office of Scientific Intelligence			
1. Evaluation of OSI Intelligence.	October 1949	continuing	OSI, PCCS.
2. Production Coordination with ORE.	August 1949	continuing	OSI, ORE, PCCS.
3. Development of OSI.	January 1949	continuing	OSI, Personnel.
4. Operational Liaison.	August 1949	November 1949	OSI, OCD, Management.
[redacted]			FOIAb3b1
1. Evaluation of Coverage.	September 1949	continuing	[redacted] ORE, PCCS. FOIAb3b1
2. Reproduction of [redacted] Reports.	June 1949	November 1949	[redacted] Management, Services.
Office of Operations			
1. Consolidation of Field Collection and Operational Activities.	August 1949	December 1949	OO, Management, Personnel.
2. Evaluation of Field Station Productivity.	September 1949	January 1950	OO, PCCS, ORE.
3. Rotation Program.	October 1949	March 1950	OO, Personnel.

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To: Executive

From: Management Officer

Subject: Management Program of CIA.

1. CIA has begun to assume the complexion of ~~a large type organization~~ "Big Business". There has been a good management program in effect for over 2½ years, but it would seem the time is very much in evidence when a more planned program is essential, mainly because the problems already known exceed the capabilities of the individuals who bear the responsibility of solving them.

2. We are left no alternative but to list to top management those shortcomings, weaknesses and defects and establish the priorities with which they are to be dissolved.

3. Basically, Management is interested in the following projects:

a. Career management

b. Wider use of business machines.

c. Current and impending reorganization plans to effect OPC, OSO, ORE, OCD, and the old office of Operation..

4. CIA training. Standardization of,

5.

a. Equipment

b. Administrative methods

c. Fiscal equipment

d. Improved space planning and allocation.

e. Reproduction

and several others.

6. The philosopher, Dewey, ~~made a very pertinent statement when~~ once said

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DDA Memo, 4 Apr 77
Auth: DDA REG. 77/1763
Date: 22-3-78 By: 024

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~~he said~~ "We do not beging to think until we are confronted with a problem. It must be a real one, then we begin to grope for a solution". ∧ If this Agency is to be a success and is to be better than other agencies, we must solve our problems before they effect our efficiency, thru by advance thinking, advanced planning, and anticipation from the short comings and

6. CIA Management has a problem - it is Agency-wide. However, as the problems are many they are all related and all are important. Therefore program planning must enter top Management's picture at this point. We are just beginning to enter a phase where effective check points and control points can be established which will provide the Agency with a successful control program. Control in the sense that we will find weaknesses, shortcomings and errors before or as they occur. With ICAPS entering the picture from the operational point of view, the cicle can be completed and an effective program actually placed into operation.

7. I believe one concept is essential, mainly as an operating standard for ICAPS - namely, Management must find internal flaws, presenting problems to ICAPS for external examination. In reverse the related errors found by ICAPS externally will be reported to Management for further internal examination. While this does not preclude ICAPS from physically joining Management before or during any survey, it does not necessarily mean that ICAPS will be engaged in detailed organization and method examinations. However, it does preclude Management, and properly so, from engaging in outside or external ramlifications.

8. In paragraph 2 above, Management has indicated the problems in the priority of importance as they appear to us. It is requested

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that top management indicate any change in that priority necessary to assure that the most important items are examined first.

9. At this point, it should be well to mention that with the above program in operation, CIA should have a rounded administrative-operational examination program which will provide continued and greater success in the accomplishment of the stated CIA mission.

10. However, there is still one piece missing if the picture is to be complete. - For the Agency has a whole, we still lack the planning echelon. The nucleus has been formed. The people are at work, and the material necessary to planning is available. If this conception is to be carried out a suggested examination should be made at budget finalization time. The Management Office is logically the arm of top management to determine functional balance of any given program as it relates to CIA as a whole. Services, Personnel and Budget, etc., in determining the internal balance. Therefore, it would seem that a committee composed of the following officers should examine every budget in its final form before presentation to the Director:

The Executive; his deputy; the Management Officer; Chief, ICAPS; Personnel Officer; Budget Officer; Services Officer.

Procedure-wise, each Assistant Director with his assigned budget analyst and any assistants he desires to ~~continue~~ accompany him will present their program bi-annually to the above committee.

11. As this Agency grows in stature and strength, many of the programs will become more and more important. Our ability to meet our problems become more and more pertinent. It is felt, therefore, that now is the time to consider these problems and to effect the machine as simple in concept as possible to be ready to meet [illegible]

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10 August 1949

PROPOSED AGENCY CONTROL PLAN

1. Management will endeavor to find overall administrative and operational problems and will:

a. Take positive steps by existing methods and channels to correct, simplify and perfect all administrative functions.

b. Will report with recommendations to the Operational Evaluation Staff such problems concerning the collection, production and dissemination of information and intelligence which require external examination and coordination, and internal evaluation to assure fulfillment of the CIA mission.

2. Attached is a list of questions which could be asked at this time. As of this date, the great majority of these questions could not be referred to any one particular point or for satisfactory answer. Consequently, the need for a plan similar to the above.

3. The attached list was made against time, and it is felt it could probably be doubled or tripled on further examination.

4. The simple flow chart attached is fundamental and designed merely to show the proposed flow control.

[redacted]

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2 Attach.
1. List of questions.
2. Flow chart.

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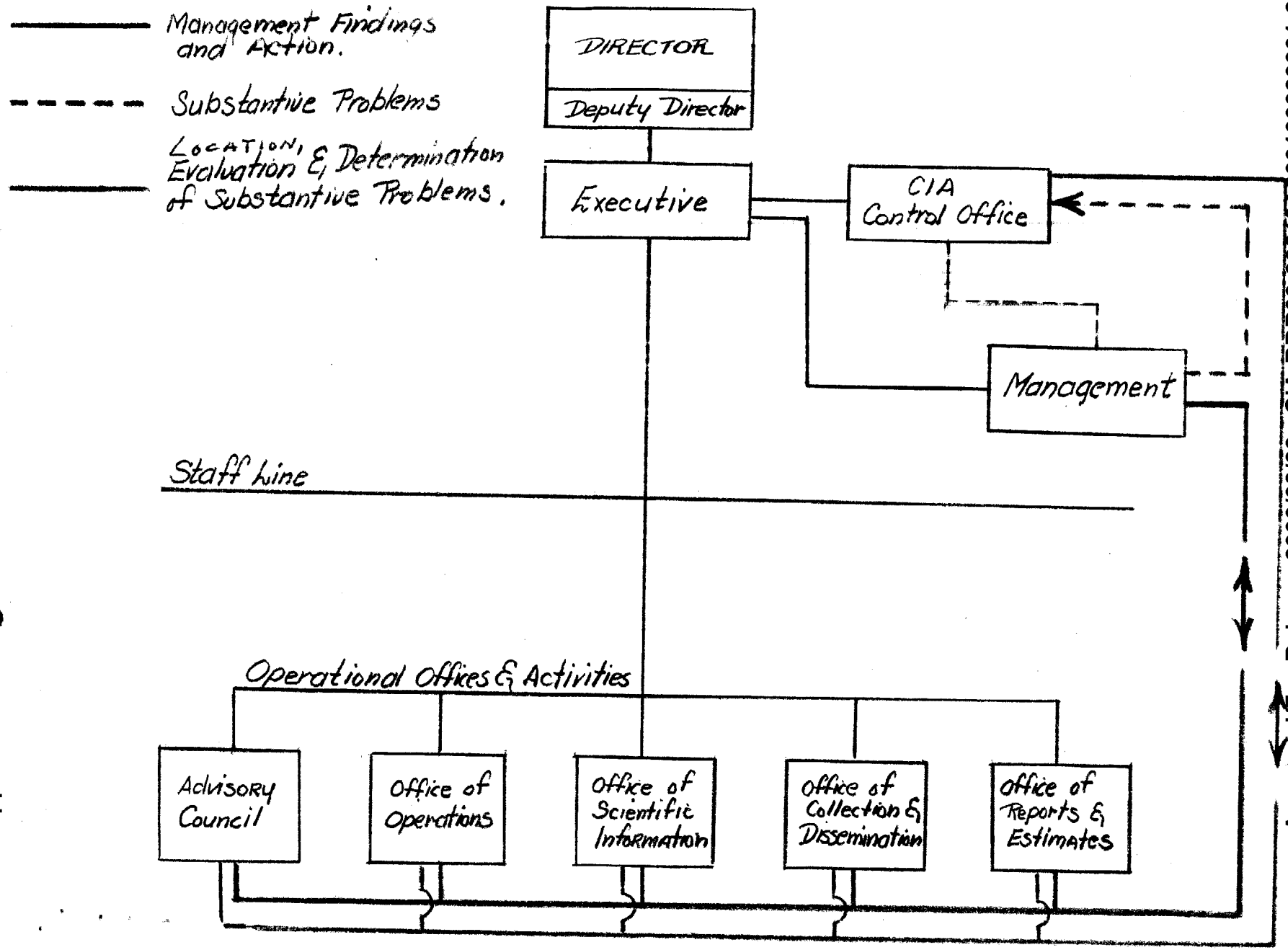
Flow Chart of CIA Control System



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16 August 1949

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QUESTIONS RELATING TO CIA INTELLIGENCE EFFORT

1. Should all OCD registers procure intelligence information from other government agencies?
2. Should OCD registers initiate outside requests for information to supplement register files?
   a. Should the register determine the gaps? or
   b. Should efforts be made to fill the gaps at the time need arises?
3. Can categories be established for incoming intelligence information, which categories can become priority schedules for processing materials?
4. Can OCD perform a selective reading job for ORE and OSI branches, thus reducing the volume of information flowing to each researcher?
5. Should OCD provide:
   a. only indexing service?
   b. indexing and extracting?
   c. indexing, extracting and compilations?
6. Should steps be taken to protect the researcher from continuing duties which are not directly related to the immediate intelligence effort? e.g., (1) evaluation of information reports; (2) abstracting and coding of incoming document; (3) preparation of requirement for CO/C sources.
7. Can OCD properly write requirements for all CIA offices, or even consolidate them?
8. Who evaluates the worth of ORE finished intelligence?
9. Should OSI prepare and issue a separate series of reports, or should they fall into an agency series together with ORE reports?
10. Why does OSI issue Highlight of Radio-Suisse Daily Broadcast Epidemiological Bulletin when the information is an unevaluated word for word transcription from [redacted] intake?

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11. What are ORE, OCD, OSI responsibilities to determine gaps in collection coverage and to remedy the same?

12. What is agency policy on employment of OO/C to collect information already submitted to other agencies of the Federal government?

13. Who has authority to purchase information now contained in other government agencies, e.g., Census?

14. Who evaluates the dissemination requirements emanating from CIA offices to determine if the requirements are germane to the office's operation?

15. Who has the authority to refuse collection directives - the collecting office, e.g., OO/C? OCD?

16. What steps should be taken to provide a reservoir of "give-away" materials to be used in exchange for service and materials requested from non-IAC agencies and non-governmental services?

17. What action is needed to coordinate collection facilities, working arrangements, exchange of information, and intra-communication between chapter contributors for NIS program?

18. Can CIA holding be correlated to insure easy fulfillment of requests?

19. What are CIA responsibilities in reproduction of materials received in single copy?

20. Should CIA publish only one accessions list?

21. What should be done to tailor CIA intelligence classification system to:

    a. needs of CIA components? e.g., OSI

    b. systems of IAC agencies?

    c. all aspects of CIA operations?

22. To what extent should ORE-OSI researcher files duplicate information available in OCD?

23. To what extent should ORE-OSI researchers evaluate information reports of OO/C? OSO? Air? State?

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QUESTIONS:

24. Do we need to tighten requirements not for ad-hoc only but also standing priorities type?

25. Should more long range background studies be made?

26. Why must collection offices (OO/C - OSO) evaluate and document information (turn out finished reports)?

27. Should we periodically survey each regular publication distribution to eliminate:

a. Those recipients not actually using the publication.

b. Those publications with very limited use.

28. Could CIA type instead of print reports where use is small?

29. Would less report and more bibliography serve users better?

30. How authoritative do users consider CIA publications?

31. Should reports be written toward a lower classification thus assuring wider distribution?

32. What or who now determines which reports are written? their distribution? their classification? their format?

33. Are overall IAC requirements fully considered? By whom?

34. Who determines operational needs to establish distribution?

35. What control is exercised over initiation of new activities and the transfer of activities from IAC to CIA? e.g., OCD is now negotiating for transfer of State telecommunication files to Industrial Register, OCD.

36. What action is now being taken to insure maximum utilization of the facilities of the IAC and other government agencies, thus reducing duplicate action within CIA?

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NOTES FOR CONSIDERATION

31. Who is authorized to make commitments regarding furnishing of intelligence on copies of produced intelligence?

32. Is a commitment once made subject to review? By whom?

33. What facilities are available for determining whether the material we produce is satisfactory to recipients, both qualitatively and quantitatively?

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EXECUTIVE TRAINING PROGRAM

I. The Problem

A. The fact that executive and supervisory personnel must be replaced is inescapable. The problem is to have trained replacements available.

II. Source

A. The government has many sources of available replacements, but, only two sources will provide sound and qualified replacements: (1), from within, (2), from private enterprise.

III. Examination of the Sources

A. Private business is suffering from an acute shortage of younger executive and supervisory personnel. Some years ago, the general trend was that younger men were taking over top industrial jobs, the trend now is in reverse. A recent study discloses that the average age of such persons has increased from 5 to 10 years. This is causing some alarm among big business because present executives are too frequently in the middle 60's to early 70's. While long history has proven that only the rare exception is effective at that age, further as time goes on the ____ is ____ _____. Probably the most pressing need is for youth and vigor coupled with ability and expression in "middle-management". Examination of some prime causes of the shortage are as follows:

1. During the depression years, all small and middle sized business (even some big business) would not pay to train replacement personnel. Those lost years cannot now be regained.

2. With the _____ of business conditions, the War robbed business of the ___ _____ and type of personnel who would have been trained.

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B. Other outside sources to top quality personnel islimited. As a general rule we will only be able to secure that which top business is willing to release for in their present position they will pay to keep the "cream of the crop".

IV. To Solve the Problem

A. The answer there, is to inaugurate a program to develop our own material and new material selected from organized sources such as colleges and training institutions.

V. The Program - Goal and Problem

A. The program should _____.

1. On the job and in-grade training of selected personnel.

2. A more valuable tool to the above is our action Career Management Program.

B. The problem all of which can be solved through difficult. Some of them are discussed in the following:

1. Even the most intelligent of senior officials are reluctent to admit they will be replaced, or will retire or die. Unless an individual can realize personnel gain he is not likely.

2. The timing factor is probably most difficult. "When do you start training Mr. A to replace Mr. B", plus a correct evaluation of "when is Mr. A ready to take over a top position, or can that evaluation be made until Mr. A actually assumes the responsibility of Mr. B". Next, many executive and top

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officials feel insecure in their positions, and are most reluctent to discuss measurements, standards, and replacement training for fear delagations of authority may cost them loss of power, and even create an unfavorable view of their _____.

VI. The Procedure to Effect a Program

A. The need recognized the problems found, perhaps the following outline could be a starting point to establish a positive program.

1. The program should be conducted under the supervision of the Personnel Director.

2. Each Assistant Director and Staff Chief will be required to submit a realistic evaluation report on every employee under his supervision (or as submitted to him by his Division and Branch Chiefs and evaluated by him, twice yearly,) who is out standing in ability, leadership, personality, etc.

3. This must be an enforced requirement, but all executives will have to be educated.

VII. Recommendations

A. The Personnel Director be directed to study the subject and develop a tangible program which can be placed in effect in the immediate future.

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CIA MANAGEMENT IMPROVEMENT ACTIVITIES
FISCAL YEARS 1950 AND 1951

I. References: a. Memorandum from the President to Heads of Agencies dated 1 August 1949.
b. Memorandum from the Director of the Bureau of the Budget to Heads of Agencies, in connection with Reference "a" dated 1 August 1949.
c. Bulletin No. 50-2, Bureau of the Budget, dated 1 August 1949.
d. Section 87, Budget Bureau Circular No. A-11.

II. Organization in CIA for Management Improvement Activities.

1. The "top official" designated in accordance with References "a" and "b" to supervise the management improvement program in CIA is the Agency Executive. → Set new Direction here Does?

2. A small, permanent management staff comprised of fifteen (15) employees is engaged in constant studies and surveys within the Agency to determine and recommend possible improvements and economies. This staff saves many times its cost each year. Better means for less cost is its primary objective.

3. A Coordination, Operations and Policy Staff has been established to supervise interdepartmental relationships and substantive intelligence programs to the end that:

a. Intelligence services of common concern shall be continually more centralized.

b. Overlaps and duplications in the collection, production and dissemination of intelligence and intelligence information shall be reduced or eliminated.

c. The effectiveness of the collection effort and the substance of production shall be continually improved.

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4. Office and Staff Chiefs receive indoctrination in the principles of, and the necessity and personal responsibility for, strong executive action toward management improvement activities within their specific activities, both administratively and substantive program-wise.

5. Budget controls are exercised with strong, central supervision to insure flexibility of operations without waste, and to the utmost possible extent without non-productive obligation.

III. Special Problems.

1. A primary problem not easily susceptible to Agency management improvement activity is the interdepartmental coordinating responsibility of CIA. This responsibility may be exercised only in accordance with directives of the National Security Council, and in actual practice more or less under circumstances requiring prior concurrence of members of the Intelligence Advisory Committee. The responsibility for coordination has not carried with it the authority for directing action.

2. Another problem is the covert intelligence and operations responsibility which, by its very nature, is anti all normal management control concepts.

3. A further complicating factor is the impossibility of applying any mechanical work standard to the production of intelligence estimates and the substantive programs supporting such production.

IV.

1. Management improvement schedule for substantive matters for the current and budget year:

a. Reorganization of covert activities in accordance with instructions from the National Security Council.

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b. Development of an integrated intelligence production program, interdepartmental in scope, including:

~~(1)~~ Better definition of the term "National Intelligence."

(2) Establishment of priorities in areas and subjects.

(3) Allocation of responsibilities between CIA and IAC agencies to prevent unnecessary duplication in either research or production.

(4) Determination of deficiencies or gaps in available intelligence information and the preparation of adequate requirements as collection guides to meet such deficiencies.

(5) Improvement of and increase in guidance for collection effort to avoid non-productive or misdirected efforts inherent generally in purely opportunistic collection action.

c. Further improvement of collection action by:

(1) Determining any continuing unnecessary duplication of collection responsibilities in the field, and eliminating those found.

(2) Strengthening liaison control procedures.

(3) Broadening the scope of collection facilities to meet better and increased collection requirements.

(4) Further increasing the speed of collection to meet production priorities.

(5) Improving coordination of field effort, particularly in overt foreign posts.

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(6) Further development of machine methods and techniques for recording, reproduction and dissemination of intelligence information and intelligence.

(7) Development of improved methods for assessing the value and effectiveness of collection facilities.

d. Constant re-evaluation of dissemination action:

(1) To insure that all who need to know, and only those, receive ~~intelligence~~ information and intelligence.

(2) To determine the feasibility and capability of ~~more highly centralized~~ dissemination responsibility.

(3) Increase the speed of dissemination.

e. Continuing study of possibilities for increasing centralized intelligence services in CIA, and elimination of similar functions in the IAC agencies.

2. Management improvement schedule in overall support of substantive matters for the current and budget year:

a. Continuing survey of reproduction needs and facilities to:

(1) Establish priorities.

(2) Determine and establish better and more economical means and methods, including supply, techniques and machines.

(3) Eliminate unnecessary projects and multiple duplication in several agencies of the same material.

(4) Reduce numbers of copies to a minimum to meet actual current needs.

b. Research into and implementation of improvements in Budget development, review, presentation and controls.

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c. Development and implementation of improved machine methods for handling records and reporting in connection with:

(1) Personnel matters.

(2) Supply accounts.

(3) Payrolls.

d. Program for the maximum possible standardization of equipment and other supply items.

e. Continuing the forms control program.

f. Identification and reduction of backlogs in both substantive and support activities.

g. Improvement of the records management program.

h. Development and implementation of a career management program for CIA personnel.

i. Continuing survey of the distribution system to increase the speed of delivery of both administrative and intelligence material and reduce delays incident to improper routing.

j. Continuing survey of organization, functions, personnel requirements, methods and procedures to increase efficiency and effect possible economies.

V.

1. In a new agency of this nature, the functions of which are based on interdepartmental relationships and mutual support programs, with changing missions and responsibilities, and with the peculiar and unique function of covert activities abroad, it is not yet practicable to schedule management improvement activities on a set time schedule basis.

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2. Each of the problems listed in Section IV above requires current and continuing attention in our present situation. Most of the problems are dependent to some extent on a factor or factors which we cannot directly control, and are subject to delays and interdepartmental discussions and agreements which will take varying periods to complete. Even the apparently purely administrative problems are affected by this situation.

3. a. The Management Staff, in carrying out its broad responsibilities for developing and recommending the organizational structure, assignment of functions, and personnel staffing of the Agency, with the attendant problems of administrative procedures and support, is engaged in daily constant surveys of some portion or portions of the Agency. Problems involving lack of adequate policy guidance or program determinations are detected at their source in these surveys and placed in proper channels for solution.

b. The Coordination, Operations and Policy Staff, in carrying out its responsibilities for interdepartmental coordination in conjunction with the IAC agencies, ~~the Joint Chiefs of Staff~~ and the National Security Council, ~~is constantly cognizant~~ Must remain aware of difficulties and problems arising in this field, and is charged with responsibility for CIA action to solve such problems in the most efficient and economical manner possible to obtain. Policy and program inadequacies detected in Management Staff surveys are also referred to the Coordination, Operations and Policy Staff for action and proper resolution.

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c. The two staffs mentioned above, together with the Agency Budget Officer, will be coordinated closely by the Executive in the overall management improvement program to assist the Director in carrying out the desires of the Bureau of the Budget and the President.

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Chief, Management Staff 2 December 1954

Asst. Management Officer, DD/A Area

Program for Fiscal Year 1955.

1. The Overall Program. On an area-wide basis it is planned to undertake a series of management surveys of each of the major elements (Offices) of the DD/A Area. These management surveys will consist of (a) an organizational study of each element having as its objective the establishment of a sound organizational pattern and a reasonable span of control; (b) a study of the workload for the purpose of determining the staffing pattern representing the manpower required to accomplish the mission of the element; (c) the establishment of a table of organization and personnel ceiling based on the workload; and (d) a study of the over-all procedures of the element.

Following the completion of these management surveys it is planned to initiate a series of detailed procedures surveys of the DD/A elements. Each of these surveys will consist of (a) a detailed study of procedures presently in effect; (b) analysis, simplification, mechanization and other improvement of procedures; (c) installation of improved procedures; and (d) preparation of a procedures manual for each DD/A element either in narrative or chart form or a combination of these methods.

2. The Program for Fiscal Year 1955.

a. Management Surveys for each of the following Offices:

(1) Office of the Auditor-in-Chief

(2) Office of the Comptroller

(3) Office of Training

(4) Security Office

(5) Medical Office

(6) Office of Personnel

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b. A Procedures Survey in one major DD/A element, either Logistics Office or Security Office.

c. A work measurement system for the Finance Division, Office of the Comptroller.

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This program is based on a staff of six examiners. The status of work done to date (12-2-54), and the schedule for additional surveys, is covered by the following paragraphs.

3. Projects completed as of 12-2-54:

   a. Office of the Auditor-in-Chief. Management survey. (Report completed - action on report awaiting Office of Personnel concurrence as to grades.)

   b. Office of the Comptroller. Work measurement system for the Finance Division.

4. Projects under way as of 12-2-54 (Dates shown are for completion of reports):

   a. Office of Training. Management survey, estimated completion date 1-15-55.

   b. Security Office. Management survey, estimated completion date 1-31-55.

   c. Medical Office. Management survey, estimated completion date 12-31-54.

   d. Office of the Comptroller. Management survey involving, in addition to a review of the organization and staffing, a somewhat detailed study of basic procedures. Estimated completion date 6-30-55.

   e. Other Projects. Study of disposition of classified waste. Estimated completion date 1-15-55.

5. Projects proposed to be started this fiscal year:

   a. Management Survey, Office of Personnel. It is estimated that this survey could be undertaken about 2-1-55 and possibly completed by 6-30-55.

   b. Procedures Survey. At present it is expected that this will be either the Logistics Office or Security Office. The probable date for undertaking this survey is 3-1-55.

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THE WHITE HOUSE
Washington

August 1, [redacted]

TO THE HEADS OF AGENCIES:

Last Friday I discussed with the Cabinet Executive Order No. 10072, which directs department and agency heads to give special emphasis to their responsibility for appraising and improving the efficiency of their operations. I am writing to you and to the heads of other agencies to express deep interest and concern for improving administration of the Government's affairs.

In support of Hoover Commission recommendations I have submitted proposed legislation and reorganization plans to the Congress. Additional proposals are under study. These actions are aimed to being together in each agency programs with common purposes, and to give each agency head the authority and discretion he needs to manage his agency effectively.

These steps to make better administration possible must be complemented by vigorous action to achieve potential improvements in operations. Agency heads are primarily responsible for such action.

The Executive Order does not impose new responsibilities on agency heads. It does provide the means to assure a systematic and continuous management improvement effort on a Government-wide basis, and to keep me informed of progress and accomplishments.

I hope you will designate one of your top officials to be responsible for seeing that an aggressive program to improve the effectiveness and economy of operations is carried out on an agency-wide basis.

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Very truly yours,

/s/ Harry S. Truman

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EXECUTIVE OFFICE OF THE PRESIDENT
Bureau of the Budget
Washington 25, D. C.

August 1, 1949

TO THE HEADS OF AGENCIES

In the Cabinet meeting on Friday, I undstand that the President discussed his Executive Order calling for continued efforts to improve the operations of the Executive Branch. In this connection I am enclosing a copy of the Bureau of the Budget Bulletin No. 50-2, which is issued in accordance with Executive Order 10072. This Bulletin describes the kind of information to be submitted by agencies with their budget estimates for review by the Bureau of the Budget on behalf of the President. As the success of the President's program depends primarily upon the responsible heads of departments and agencies and their subordinate operating officials, I would suggest that you designate one of your top operating officials to give special attention to this program.

If my staff can give you and assistance in developing your plans for action under this program, I hope you will not hesitate to call upon me.

Sincerely yours,

/s/ Frank Pace, Jr.

Director

Enclosure

Bureau of Budget officials seemed highly pleased with what they have seen of CIA efforts in field of Admin. Mgmt. Also again spoke highly of CIA Budget presentations.

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INSTRUCTIONS FOR THE
PREPARATION AND SUBMISSION of
ANNUAL BUDGET ESTIMATES

Section 87. Plans for management improvement.

Each agency will submit a statement of the activities contemplated during the current year and budget year which are aimed at appraising and improving the effectiveness, efficiency, and economy of operations. This statment will include the activities to be carried out, whether by line officials or management staff, to evaluate and improve operations. (This management program will be considered in evaluating and examining financial requirements for agency operations.) //

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EXECUTIVE OFFICE OF THE PRESIDENT
Bureau of the Budget
Washington 25, D. C.

BULLETIN NO. 50-2 August 1, 1949

TO THE HEADS OF EXECUTIVE DEPARTMENTS AND ESTABLISHMENTS

SUBJECT: Programming of agency management improvement activities

In his Budget Message and in his messages to the Congress dealing with action to improve the organization of the Executive Branch, the President has emphasized his interest in continued efforts to improve the effectiveness of Government administration. Recommendations which he has made and proposes to make are aimed at giving responsible officials greater freedom and flexibility to organize and direct the activities under their jurisdiction. Along with this increased authority, he is looking to department and agency heads to take vigorous leadership in bringing about maximum effectiveness and economy in the operation of Government programs.

Executive Order No. 10072 directs department and agency heads systematically to appraise and improve their operations. Responsible officials in each department and agency should make certain they can assure themselves and the President that their policies and programs are carried out effectively and economically, that possibilities for increased efficiency and economy are identified, and that adequate provision has been made for continuously evaluating and improving performance.

Section 87 of Budget Bureau Circular No. A-11 requests each agency to submit with its budget estimates for the fiscal year 1951 a statement of current and proposed activities aimed at appraising and improving the effectiveness, efficiency, and economy of operations. Since a statement of management improvement activities is being requested for the first time, this Bulletin explains in further detail the type of information desired.

In this programming of action to improve operating effectiveness, the President is primarily concerned with improving the substantive operations of agencies. "Housekeeping" activities are not excluded, of course, but the emphasis will be placed on program activities.

The following examples illustrate the type of operating problems in substantive operations at which the program is directed: failure of activities to accomplish program objectives; inadequate coordination among related programs; overlapping or contradictory services to the

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public; continuation of activities no longer essential; lack of program and work standards for evaluating accomplishments; high unit costs of work completed; increasing backlog; excessive staff turnover, etc.

A management improvement program includes two types of activities; (1) activities directed at solving known operating problems; and (2) activities directed at evaluating operations in order to identify ways of improving service and cutting costs. The latter type of activities include such things as periodic, recurring operations audits or inspections in specified offices; a comprehensive review of objectives, programs and activities in a segment of the agency; installation or improvement of reporting programs; special surveys of organization and procedure.

In setting out its management improvement program each agency should first list its top priority problems. Each agency should then list its management improvement activities in two categories: actions under way or proposed to solve known operating problems; and activities to identify other operating problems by evaluating the efficiency and effectiveness of operations. Current activities as well as those proposed for fiscal 1951 should be included, but clearly distinguished. Officials or organization units responsible for action should be indicated. Approximate manpower assigned and estimated initiation and completion dates, should be shown where applicable. Separate statements should be included for the office of the Secretary or Administrator and for each Bureau or major constituent unit.

Members of our staff will be discussing this matter further with appropriate representatives of your agency. Any time we can be of assistance in clarifying the purpose and nature of the information to be submitted, please do not hesitate to call on us.

FRANK PACE, JR.
Director

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A "Management Department" To Aid Organizational Control

Excerpts from an address given before the American Management Association by

GENERAL BREHON SOMERVELL

President, Koppers Company, Inc., Pittsburgh, U.S.A.

IT IS generally accepted, I believe, that the means of control available to the executive, in addition to organization, include both long range and day to day planning, the establishment of policies and procedures to cover the operations of the company and its sub-divisions, and the submission of periodic and special reports, including statistics, on operations.

The executive can exert a strong control over his organization in the allocation of funds for the activities assigned to the various subdivisions. Control likewise can be exercized through assignment or allocation of personnel to various activities. With such controls over finances and personnel, the activities can be enlarged, restricted, or directed in broad channels.

Once the personnel has been assigned and funds made available, the executive through careful training and orientation of his personnel can guide their actions along the lines contemplated by objectives and programs. Both he and his staff can secure further control over operations through inspections of work in progress and conferences with those charged with the execution of the work. Lastly, the executive by reserving to himself personal approval of specific action in certain fields and under certain conditions, can control effectively the course of his subordinates.

A Test

The extent to which this last means of control is used is indicative, to my mind at least, of the excellence of the other controls established for the organization. If most matters must be referred to higher authority for action, delegation has been poor and the progress of the organization will be limited largely to the capacity of one man to make all the decisions and to assimilate the details necessary to make them. A good organization proceeds on an entirely opposite course.

The agents used by the chief executive for the operation of the controls which have been described must, in any large organization, be the heads of the various staff departments which supplement the chief executive in the discharge of his duties. Some of the controls are exercised by the President himself, but most of them must be a specific concern of various staff departments. For example, the Finance Department, whatever it may be called, must be responsible for the compilation of the budget no matter how it may be established, and likewise this department must exercise the control to see that the budgets are effective. Likewise, in connection with its specialized function, each staff department must assume a share of the responsibility for control.

Because of the different types of organization in effect to carry out the many different activities of various industrial organizations, it would be impossible to go into much detail as to which staff department should be used for the exercise of the different controls which are necessary. I should like, however, to take a few minutes to discuss a concept of which I believe I am the author. That is the use of a special Control Section or Department as a major tool of the chief executive of any organization.

It is quite possible that a similar concept may have come to others but what I have to say today is a development of my own experience. Prior to its development and use I had not found its prototype in other organizations, though obviously the actual controls which are assigned to this department will be found in a number of staff departments in many organizations. Perhaps the name "Control" for this department is a bad one. People instinctively resent controls of any nature and a more fortunate selection in name might be "Management Section" or "Management Department."

"Methods" Observation

In short, the Control Section is designed to control not what the company does but how it does it. It acts as eyes and ears for the chief executive of the company or an operating division with respect to everything that has to do with the way in which the work of the company is performed. Many men who were members of the Control Division of the Army Service Forces are now doing similar work in industrial organizations or in companies designed to give expert advice on management problems to companies without the benefit of such a unit within their own organization. I must say that in my own company the idea was received with a great deal of skepticism and perhaps with a certain amount of resentment. This feeling has disappeared, as is proven by the cordiality with which the members of the Control Section are now received everywhere throughout the organization, the fact that their advice and counsel is sought, and that the head of the Control Section is highly regarded by the heads of all Operating Divisions and Staff Departments.

Four Divisions

The work of the Control Section is divided into four main subdivisions: Planning and Policies, Organization, Reports and Statistics, and Procedures. It assists in guiding and coordinating performance throughout the company, in appraising results, and in correcting unsatisfactory conditions. It reviews with Staff Departments and Operating Divisions, the objectives and program of the company. It is continuously engaged in guiding and coordinating performance through bettering our organization, through the formulation of policies, through the development of inter-unit procedures, through progress reports, and through audits. It assists in correcting unsatisfactory conditions through careful analysis of problems, discussion of their phases with the units involved, and works with them in the development of remedies to be applied.

In All Divisions

Control Sections are also present in all of our operating divisions, which perform the same functions for the Vice Presidents and General Managers in charge of these divisions as does the central Control Section for top management. Control insofar as Staff Departments are concerned, is furnished exclusively by the top management Control Section. Units of the organization use the Control Section facilities for assistance in organization, planning, policy development, procedure design, program de-

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velopment, clearance of information, preparation of special reports, mediation, coordination, training, and design of reports.

Authority rests in the president of the organization insofar as the top management Control Section is concerned, and in the General Managers insofar as the divisional Control Sections are concerned. If a control section ever sought to become a super central staff, its usefulness soon would disappear.

Instead of being a welcome visitor in the divisions and other staff departments, it immediately would assume the guise of an inspector and critic, which would promptly minimize if not destroy its effect.

As long as organization and controls are used to bring out the best in executives, to permit them to work most effectively as a team and yet not destroy their initiative, they are of maximum usefulness. Once they begin to serve as a damper on the spirits and enthusiasm of the personnel they become a liability rather than an asset.

All of this sounds very simple, and it is. However, because of the many perplexities in business, the application of the principles in the system which I have just discussed is not always easy. I have been asked to apply these principles to the solution of some practical, everyday problems, and to that end I have been furnished with a number of questions.

1. The first of these questions concerns the Board of Directors, and asks what functions should be **retained by the Board and what functions delegated to operating management.**

General practice reserves certain functions to the Board of Directors, such as approval of capital expenditures, purchase or sale of capital assets, and approval of the basic objectives and programs of the company and approval of major policies or important proposed transactions. If it retained other functions it would be performing part of the management job, not directly related to its principal assignment—trusteeship.

2. A question on controls and incentives asks whether administrative **controls and measurement of results should be imposed on subordinates without a provision for financial rewards or penalties.**

There seems to have been developed a feeling that the adoption of administrative controls such as programs, progress reports, etc., must be accompanied by financial incentives or awards as a means of sugar coating this bitter pill. It would be well to remember that normal efficiency and attention to the job still are to be expected in return for a fair base salary. Incentives and rewards are intended to compensate for performance beyond normal expectancy, and in turn, to produce such performance. My answer, therefore, is that controls and measurements may be adopted fairly without a system of rewards and penalties.

3. Another part of this question is concerned with **whether or not incentives can or should be set up for staff or service units whose contribution to profit cannot be readily determined.**

In my opinion, incentives for staff and service units are quite in order. First, we create and maintain these units because we know that their work is necessary, although we realize that we will be unable to measure its exact value. Next, we review the progress and results of the overall company and find it to be beyond expectations and deserving of rewards. Are we now to deny that these staff units made a contribution to these results? If so, we should immediately dispense with them for we have in effect decided that the results would be the same without them. No reasonable man could defend such logic. He would base staff unit rewards on the overall results they helped to produce.

4. Job security is certainly something to be desired and ranks high among the factors affecting the worker's attitude and satisfaction with his job. This question asks how a feeling of job security may be instilled in staff groups so they will not

(Continued on Page 24)

What is an Industrial Statesman?

An industrial statesman is a supervisor, foreman, executive administrator, who:

1. Manages his organization with skill and at a profit while maintaining a high degree of morale and satisfying those served.
2. Delegates responsibility and authority to lower echelons of management so as to develop executive calibre and stature.
3. Works in a way that creates understanding and cooperation rather than friction.
4. Understands our economic and social system, its motivations, its vitality, its historical development, its comparative benefits over other systems.
5. Carries a deep conviction that ours is the system that affirms the individual, that capitalizes on incentive, that thrives on individual character and productiveness.
6. Knows why and how our system can and must give the greatest job-satisfaction, be an outlet for the great human desire to create something—to be useful.
7. By a definite program of action, works ceaselessly to get everyone within his realm of influence to understand and believe the same truths.
8. Provides for individual attention to the problems and development of people on his payroll.
9. Recognizes responsibility for the effect of his decisions and practices upon individuals and the community.

LAWRENCE A. APPLEY,
President, American Management Association.

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(Continued From Page 13)

feel that they may be indiscriminately cut off in times of crisis.

The installation of a spirit of job security among staff personnel may be accomplished through forward planning. Every company should study its "break even point" and lay definite plans for its operations at this and intermediate levels of activity. Such plans will reveal the nature and amount of both staff and operating personnel required under these conditions and will do much to create some measure of job security.

While neither staff nor operating units can hope to avoid some reductions in times of retrenchment, both may be satisfied that their reductions are fairly proportioned and not indiscriminate.

5. Next, it is asked, **what controls can be established to insure proper redelegation by subordinates and avoid overdelegation, to the point of having idle executives and overworked subordinates.**

This involves a control over organization. In my opinion a Control Section, responsible to the chief executive and delegated the responsibility for organization work, can be of great assistance in assuring him that the delegation of responsibility by his subordinates is proper and effective. Such a group should be employed to make organization studies within the staff and operating units, and to prepare reports of findings and recommendations. In this manner insufficient delegation, excessive delegation and lip service to organization plans, can be detected and corrected.

6. **Can the responsibility and authority of subordinates be defined clearly enough as to scope and degree to avoid friction and misunderstanding.**

Part of the answer to this lies in the quality of the organization plan itself. In fact it may be said that unless the organization plan and the duties and scope of the particular jobs can be reduced to a clear written description, the plan probably is fuzzy and undoubtedly will encourage rather than avoid friction. The other part of the answer lies in how thoroughly and how well the [illegible] portant duty of a Control Section is the development and maintenance of [illegible] organization plan, backed by a good manual which is complete and currently revised, can eliminate almost any cause for friction between groups or people except those generated through personal feelings. Of course, there is a certain amount of plain cussedness in some individuals which can be eliminated, if at all, only by a priest or psychiatrist.

7. Next, the question: "**What significant trends have you observed in top management organization of industrial concerns?**"

Industry is undoubtedly becoming conscious of the necessity for undertaking organization, policy, procedure and planning work as a full time delegated responsibility, rather than as things to be done if, as and when, and by anyone who finds time for them. They are being recognized as the duty and obligation of every executive and the idea of a Control Section as an agency for their performance is being adopted by more and more companies. This is leading not only to better thoughts about organization but also to the actual use of better organization.

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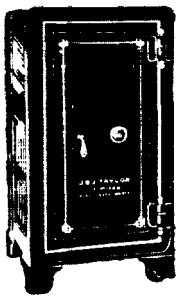

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CENTRAL INTELLIGENCE AGENCY

STATEMENT OF MANAGEMENT IMPROVEMENT ACTIVITIES
FOR THE CURRENT AND BUDGET FISCAL YEARS

I. Special or Priority Problems

1. A primary problem not easily susceptible to Agency management improvement activity is the interdepartmental coordinating responsibility of CIA. This responsibility may be exercised only in accordance with directives of the National Security Council, and in actual practice is normally conducted under circumstances requiring prior concurrence of members of the Intelligence Advisory Committee. The responsibility for coordination has been most difficult because it has not carried with it the authority for directing action.

2. Another problem is the covert intelligence and operations responsibility which, by its very nature, does not lend itself to normal management control concepts.

3. A further complicating factor is the difficulty in applying mechanical work standards to the production of intelligence estimates and the substantive programs supporting such production.

II. Management Improvement Activities

1. Management improvement schedule for substantive matters for the current and budget year:

a. Reorganization of covert activities in accordance with instructions from the National Security Council.

b. Development of an integrated intelligence production program, interdepartmental in scope, including:

(1) Establishment of priorities in areas and subjects.
(2) More adequate allocation of responsibilities between CIA and IAC agencies to prevent unnecessary duplication in either research or production.
(3) Determination of deficiencies or gaps in available intelligence information and the preparation of adequate requirements to correct such deficiencies.

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(4) Improvement of and increase in guidance for collection effort to avoid non-productive or misdirected efforts inherent generally in purely opportunistic collection action.

c. Further improvement of collection action by:

(1) Determining any continuing unnecessary duplication of collection responsibilities in the field, and taking steps to eliminate those found.
(2) Strengthening liaison control procedures.
(3) Readjusting the scope of collection facilities to provide more effectiveness in meeting collection requirements.
(4) Increasing the speed of collection to meet production priorities.
(5) Improving coordination of field effort, particularly in overt foreign posts.
(6) Developing machine methods and techniques for recording, reproduction and dissemination of unevaluated information and intelligence.
(7) Developing improved methods for assessing the value and effectiveness of collection facilities.

d. Constant re-evaluation of dissemination action to:

(1) Insure that all who need to know, and only those, receive unevaluated information and intelligence.
(2) Determine the feasibility and capability of increasing the scope and effectiveness of dissemination.
(3) Increase the speed of dissemination.

e. Continuing study of possibilities for increasing centralization of intelligence services in CIA, and elimination of similar functions in the IAC agencies.

2. Management improvement schedule in overall support of substantive matters for the current and budget year:

a. Continuing survey of reproduction needs and facilities to:

(1) Establish priorities.
(2) Determine and establish better and more economical means and methods, including supply, techniques and machines.
(3) Eliminate unnecessary projects and multiple duplication in several agencies of the same material.
(4) Reduce numbers of copies to a minimum to meet actual current needs.

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b. Research into and implementation of improvements in Budget development, review, presentation and control.

c. Development and implementation of improved machines methods for handling records and reporting in connection with:

(1) Personnel matters
(2) Supply accounts
(3) Payrolls

d. Program for the maximum standardization of equipment and other supply items.

e. Continuing the forms control program.

f. Identification and reduction of backlogs in both substantive and support activities.

g. Improvement of the records management program.

h. Development and implementation of a career management program for CIA personnel.

i. Continuing survey of the distribution system to increase the speed of delivery of both administrative and intelligence material and reduce delays incident to improper routing.

j. Continuing survey of the organization and review of functions, personnel requirements, methods and procedures to increase efficiency and effect possible economies.

III. Responsibility for Action

1. The "top official" designated to supervise the management improvement program in CIA is the Agency Executive.

2. A Coordination, Operations and Policy Staff has been established to supervise interdepartmental relationships and substantive intelligence programs to the end that:

a. Intelligence services of common concern will be continually more centralized.

b. Overlaps and duplications in the collection, production and dissemination of intelligence and unevaluated information will be reduced or eliminated.

c. Effectiveness of the Collection effort and the substance of production will be continually improved.

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3. A small, permanent management staff comprised of fifteen (15) employees is engaged in constant studies and surveys within the Agency to determine and recommend possible improvements and economies. Improved methods and programs at a minimum cost is its primary objective.

4. Office and Staff Chiefs receive indoctrination in the principles of, and the necessity and personal responsibility for, strong executive action toward management improvement activities within their sphere of operations, both administratively and substantively from a program viewpoint.

5. Budget controls are exercised with strong, central supervision to insure flexibility of operations without waste, and to the utmost possible extent without non-productive work.

6. An inspection staff attached to the Office of Inspection and Security performs special investigations of operating and administrative activities in response to directives from the Director of CIA and the recommendations submitted are coordinated from a management viewpoint to the end that deficiencies may be rectified and improvements achieved.

IV. Anticipated Progress of the Program of Management Improvement Activities

1. In a new agency of this nature, the functions of which are based on interdepartmental relationships and mutual support programs, with changing missions and responsibilities, and with the peculiar and unique function of covert activities abroad, it is not yet practicable to schedule management improvement activities on a set time schedule basis.

V. General Statement

1. Each of the improvement program activities listed in Section II above requires current and continuing attention. Most of the problems are dependent to some extent on a factor or factors which cannot be directly controlled by the Agency and are subject to delays and inter-departmental discussions and agreements which require varying periods of time for completion. Even the apparently purely administrative problems are affected by this situation.

2. a. The Coordination, Operations and Policy Staff, in carrying out its responsibilities for interdepartmental coordination in conjunction with the IAC agencies and the National Security Council, must remain abreast of difficulties and problems arising in this field, and is charged with responsibility for recommending CIA action to solve such problems in the most efficient and economical manner possible to obtain. Policy and program inadequacies detected in Management Staff surveys are also referred to the Coordination, Operations and Policy Staff for action and proper resolution.

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b. The Management Staff, in carrying out its broad responsibilities for developing and recommending the organizational structure, assignment of functions, and personnel staffing of the Agency, with the attendant problems of administrative procedures and support, is engaged in daily constant surveys of some portion or portions of the Agency. Problems involving lack of adequate policy guidance or programs determinations are detected at their source in these surveys and placed in proper channels for solution.

c. The two staffs referred to above, together with the Agency Budget Officer and the Inspection Staff of the Office of Inspection and Security, will be required to coordinate closely to the extent that the Executive, in conducting the overall Management Improvement Program, will be in a position to render the greatest possible assistance to the Director in carrying out the desires of the Bureau of the Budget and the President.

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STATEMENT OF MANAGEMENT IMPROVEMENT ACTIVITIES

I. Operation of the Management Improvement Plan.

A. The Management Improvement Program presented with the Agency budget presentation for Fiscal Year 1951 continues as the basic plan for management improvement activities. Improvements in operations are effected through the coordinated effort of the Coordination, Operations and Policy Staff and the Management Staff, working in close relationship with operating officials. Specific problems are identified and action initiated in accordance with Agency policies. Priorities vary with the changing world situation.

B. As previously explained, many of the major problems inherent in the Agency Management Improvement Program are interdepartmental in character and require interdepartmental agreements or directive action by the National Security Council. Where possible, intra-Agency action is taken. Interdepartmental agreements are sought for problems not capable of internal solution. When such agreements cannot be reasonably obtained, further action is recommended to the National Security Council.

C. Each Agency official has been charged with effective implementation of the Management Improvement Program within his sphere of responsibility. The Coordination, Operations and Policy Staff has concluded several interdepartmental agreements which have provided uniform simplified procedures for certain phases of operations. The Management Staff has been effective in defining Agency problems and presentation of recommended solutions.

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II. Schedules of Management Improvement Action.

A. General Statement

1. Planning during Fiscal Year 1950 was directed at the realignment of Agency functions toward the objectives set forth below. It is anticipated that during the Fiscal Years 1951 and 1952 these plans will be implemented and that further organizational adjustments will be made to carry out the program.

a. Provision for the improved production of integrated national intelligence based on information reported from all sources.

b. Reflection of intelligence effort in organization and staffing toward the most critical problems of national security.

c. Improvement in coordination, both interdepartmental and intra-agency.

d. Integrating like functions in single operational units to obtain maximum efficiency and economy.

2. Improvements have been made in the methodology employed in the collection of intelligence materials and the production of intelligence. During the Fiscal Year 1950, the application of "content analysis" to intelligence interpretation and estimation has been explored by CIA in conjunction with the [redacted] Special research and development projects to provide new means and methods for the covert collection of information have been initiated. During the Fiscal Years 1951 and 1952, it is anticipated that the techniques of "content analysis" will be applied in specialized fields, particularly regarding Soviet intentions. Research into new means and methods for improvement of collection activities will be continued.

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B. Substantive Matters

1. Reorganization of covert activities in accordance with instructions from the National Security Council.

Action Taken:

Covert support activities were reorganized to facilitate proposed action. Further action has been indefinitely suspended by the National Security Council.

2. Development of an integrated intelligence production program, interdepartmental in scope, including:

1. Establishment of priorities in areas and subjects.

2. More adequate allocation of responsibility between CIA and IAC agencies to prevent unnecessary duplication in either research or production.

3. Determination of deficiencies or gaps in available intelligence information and the preparation of adequate requirements to correct such deficiencies.

a. Action Taken:

(1) A revision of National Security Council Directive Number 1 allocating duties and responsibilities of the intelligence agencies has been prepared but not yet submitted to the National Security Council. The proposed revision will strengthen CIA's authority for coordination and direction of intelligence activities.

(2) A study of production planning concepts was completed within ORE. These planning concepts were applied in development of comprehensive production programs for certain area and functional divisions of ORE.

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(3) Intelligence agencies have agreed to apprise CIA periodically of newly initiated intelligence projects.

(4) An interdepartmental Scientific Intelligence Committee and appropriate specialized sub-committees, with chairmanship allocated to CIA, were established by the Director of Central Intelligence to achieve coordination in the production of scientific intelligence.

(5) Permanent interdepartmental committees have been established under CIA chairmanship for programing and coordinating intelligence production in the fields of international communism, economics, and psychological intelligence. In addition, ad hoc gatherings of intelligence specialists in various area and industrial fields have been sponsored by pertinent ORE components for purpose of programing, coordinating, and exchanging intelligence and appropriate information.

(6) In conjunction with the Department of State External Research Program and with the Scientific Intelligence Committee, the facilities of non-intelligence governmental agencies and non-governmental institutions were utilized for conducting research and production in specific intelligence fields.

(7) Scientific intelligence production activities are being integrated with the Research and Development Board master plan to provide maximum intelligence support to the R.D.B.

(8) Responsibility and authority for coordination of scientific intelligence by CIA was further centralized by transfer of coordination responsibilities for Chapter VII (Scientific) of the National Intelligence Survey from the Department of the Army to CIA.

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(9) Through the Scientific Intelligence Committee and its functional sub-committees, a master file of scientific information requirements reflecting gaps and deficiencies in available information is in process of development for critical scientific fields such as BW.

(10) To assist the Department of State in discharging its responsibilities for collection of foreign scientific information assigned by NSCID No. 10 and to permit direction of the Department's activity toward present deficiencies and gaps, the foreign information requirements of the Defense agencies together with the organization and processing employed in the information requirement function are being studied by CIA.

(11) Improved comprehensive field reporting guides for all areas of the world were developed by ORE regional and functional divisions to provide guidance for intelligence collection.

(12) ORE and OSI Requirements Staffs have been physically placed adjacent to each other and procedures adjusted to permit maximum coordination of their work.

b. Action Anticipated, Fiscal Years 1951-52:

(1) Existing National Security Council Intelligence Directives and Director of Central Intelligence Directives will be reviewed and to the extent required for further improvement and progress in the over-all intelligence field recommendations will be made.

(2) Continued action will be directed toward improved comprehensive intra- and inter-agency

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(3) Procedures will be adjusted to speed up the coordination and review phases of intelligence production, thereby providing more timely estimates.

(4) The facilities of non-intelligence agencies of the Federal Government and non-governmental institutions will be more fully utilized to support the intelligence effort.

(5) The collection requirement formulation processes will be further simplified and coordinated to provide more effective and expeditious guidance for collection activities.

3. Further improvement of collection action by:

1. Determining any continuing unnecessary duplication of collection responsibilities in the field, and taking steps to eliminate those found.

2. Strengthening liaison control procedures.

3. Readjusting the scope of collection facilities to provide more effectiveness in meeting collection requirements.

4. Increasing the speed of collection to meet production priorities.

5. Improving coordination of field effort, particularly in overt foreign posts.

6. Developing machine methods and techniques for recording, reproduction and dissemination of unevaluated information and intelligence.

7. Developing improved methods for assessing the value and effectiveness of collection facilities.

a. Action Taken:

(1) Responsibility for coordination of governmental activities in the collection of information from defectors has been assigned to CIA by NSCIDs No. 13 and No. 14.

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This action strengthens collection action and eliminates duplications.

(2) Some increase in the flow of foreign scientific intelligence information has resulted from the activation of a CIA scientific intelligence team attached to the office of the High Commissioner for

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(3) Plans, policies and procedures have been implemented for collection of information by procurement and analysis of Soviet materials.

(4) Procedures have been established for receipt by CIA of operational information ~~intelligence information~~ which has intelligence significance, e.g., ECA cables.

(5) Through a map exchange program maps of critical areas are being collected from foreign countries.

25X1A7b (6) The [redacted] monitoring coverage by the previously established Bureaus was reorganized to meet changing information requirements and provide better service without increased staff or facilities. A monitoring operation covering [redacted] 25X1A6a

25X1A6a [redacted] needed to fill a serious gap in overt reporting was initiated. The file of

25X1A6a monitored material from [redacted] was increased 300 per cent at no additional cost to CIA through conclusion of a communications arrangement with another government.

(7) An "intellofax" system, which provides rapid service on reference materials through combined IBM and facsimile machine processes, was installed.

(8) Experimentation has been initiated to determine if newly-developed mechanical and electronic equipment can be utilized to improve the documentation and reference require-

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ments.

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b. Action Anticipated, Fiscal Years 1951-52:

(1) Coordination of collection through defectors, peripheral reporting, overt scientific information services in [redacted] and acquisition of Soviet materials will be further implemented and procedures developed to ensure increased coverage without unnecessary duplication of effort.

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(2) Efforts to identify and to channel into CIA all information of intelligence significance will continue, e.g., surveys of materials received from abroad and held in non-intelligence agencies of the government will be conducted.

(3) The activities of the Federal Government relating to the collection and utilization of foreign economic data will be surveyed and analyzed in accordance with specifications set forth in NSC assignment 282.

(4) The further utilization of machine-support in the collection and referencing of intelligence materials will continue to be explored and applied if found feasible.

(5) Present efforts to follow-up on collection failures and weaknesses with appropriate collection agencies will be intensified.

4. Constant re-evaluation of dissemination action to:

1. Ensure that all who need to know, and only those, receive unevaluated information and intelligence.

2. Determine the feasibility and capability of increasing the scope and effectiveness of dissemination.

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3. Increase the speed of dissemination.

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a. Action Taken:

(1) Valuable intelligence materials received in limited copies by one intelligence agency have been made available to other interested agencies through CIA assistance in providing extra copies through use of microfilm or other media, e.g., Air Force reports from [redacted]. 25X1A6

(2) Responsibility for Agency dissemination policy has been exclusively assigned to one Agency official, thus enhancing objectives of full coverage for those who need to know and elimination of duplicate or unnecessary dissemination of Agency materials.

(3) CIA internal procedures for dissemination and distribution have been studied and a procedure which will permit speedier dissemination will be initiated.

b. Action Anticipated, Fiscal Years 1951-52:

(1) The plan for simplifying internal dissemination procedures is being installed and will be constantly surveyed.

(2) A study will be initiated to determine if more discriminative reading at the time materials are received into the Agency will reduce the time and effort expended by production analysts in reviewing marginal materials without impairment to their analysis through absence of such materials.

(3) Efforts will be continued to restrict materials entering the dissemination pipeline to those needed for intelligence purposes, thereby somewhat reducing the volume of data received daily which must be handled and controlled at all distribution and sub-distribution points.

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5. Continuing study of possibilities for increasing centralization of intelligence services in CIA, and elimination of similar functions in the IAC agencies.

a. Action Taken:

(1) Studies are in process to determine the need for National Security Council Intelligence Directives defining the common concern responsibilities of CIA for:

(a) Industrial reference service.

(b) Biographic reference service for information on non-scientific personalities.

(c) Basic economic intelligence service on Soviet Orbit economy.

(d) Central translation service.

(2) A file of non-governmental contacts maintained by the Office of Naval Intelligence was transferred to the Contact Division, Office of Operations, thereby eliminating duplication of similar files maintained by CIA for "common concern" purposes.

(3) Internal organizational and procedural improvements have been effected to provide better service on activities maintained for "common concern" purposes. CIA activities so affected are the Office of Special Operations, the Office of Operations, the Register and Library Divisions of the Office of Collection and Dissemination, and the Map Division of the Office of Reports and Estimates. The adequate servicing of requests by these components of CIA has resulted in elimination of duplicate activities in other intelligence agencies.

b. Action Anticipated, Fiscal Years 1951-52:

(1) Renewed efforts will be made to eliminate the maintenance of Industrial Card Files in the other intelligence agencies which duplicate files maintained as a "common concern" service.

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(2) Continued study will be given: (a) to increasing centralized service in CIA when it can best be performed centrally; and, (b) to negotiating with the agencies represented on the IAC for discontinuance by them of services being performed centrally in the Central Intelligence Agency.

C. Administrative Matters

1. Survey of reproduction needs and facilities.

a. Action Taken:

(1) Arrangements were made with GPO to print NIS material on a priority schedule geared to CIA needs.

(2) The GPO was provided with space for installation of additional machines for more expeditious processing of work.

(3) The paper stock and collating process of National Intelligence Surveys were changed. Estimated savings of $27,500.00 per year.

(4) The number of copies of NIS furnished to authorized recipients was reduced by 41 per cent.

(5) A private firm was stimulated by CIA to develop the Thermo-Fax machine which provides a fast and inexpensive method of single page reproduction.

b. Action Anticipated, Fiscal Years 1951-52:

(1) A study will be made of the media used for presentation of intelligence to provide minimum essential publications and minimum necessary distribution lists.

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2. Budget planning and execution.

   a. Action Taken:

      (1) Budget and Management analysts were assigned to work with specific offices in preparation and execution of the annual budget program.

      (2) A tabulating card system for position control on man-year basis was installed.

      (3) An internal CIA budget hearings program was established.

      (4) Revised forms for use in budget execution were adapted.

   b. Action Anticipated, Fiscal Years 1951-52:

      (1) Refinement and improvement of plans and procedures currently utilized will be a continuing objective.

3. Utilization of machine methods.

   a. Action Taken:

      (1) Personnel accounting was transferred to tabulating machine procedures.

      (2) Substantive program improvements are included in Section IIB of this report.

   b. Action Anticipated, Fiscal Years 1951-52:

      (1) Plans developed and in process of implementation for transfer of supply and payroll accounting to tabulating machine procedures.

4. Standardization of office equipment and supplies.

   Continuing action on this problem is taken by all concerned.

5. Forms Control Program.

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a. Action Taken:

(1) 145 Agency blank forms were rejected or eliminated during Fiscal Year 1950. The number of approved forms at the beginning of Fiscal Year 1950 was 541 compared with 609 approved forms at the close of the Fiscal Year.

b. Action Anticipated, Fiscal Years 1951-52:

(1) Review of the utilization and format of all Agency forms will be continuous.

(2) A combined Standard Form 57 and Personal History Statement for Agency use will be prepared.

6. Identification and reduction of backlogs.

a. Action Taken:

(1) Revised tables of organization to provide proper staffing were issued where necessary.

(2) Revised procedures were developed to speed processing in specific instances.

b. Action Anticipated, Fiscal Years 1951-52:

(1) A continued review of operations will be made to prevent backlogs before they develop and examine proposed organization or functional changes to assure that backlogs will not be created.

7. Records Management Program.

a. Action Taken:

(1) A comprehensive records management program for the Agency was established.

(2) A vital documents program was established providing for safe storage of such documents.

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b. Action Anticipated, Fiscal Years 1951-52:

(1) Implementation of the records management program including publication of retention and disposition tables will be accomplished.

(2) Plans will be implemented for ensuring the preservation of vital records on a current basis and subsequent utilization in event of a catastrophe.

8. Employee Career Management Program.

a. Action Taken:

(1) Qualifications of all employees were indexed by punched card method.

(2) Roster of key personnel was prepared.

b. Action Anticipated, Fiscal Years 1951-52:

(1) Development and implementation of program will be continued.

9. Distribution of administrative and intelligence material.

a. Action Taken:

(1) Batch control procedure for more rapid distribution of material was established.

b. Action Anticipated, Fiscal Years 1951-52:

(1) Elimination of certain information control procedures to speed distribution will be accomplished.

10. Employee Orientation Program.

a. Action Taken:

(1) A detailed orientation program for new employees grade GS-5 and below was established.

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b. Action Anticipated, Fiscal Years 1951-52:

(1) An expanded orientation program to include all present and future employees of the Agency is being planned.

11. Training Program.

All Agency covert training was combined into one division with resultant increase in efficiency.

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[COMMITTEE PRINT]

81ST CONGRESS, 2d Session } HOUSE OF REPRESENTATIVES { REPT. 2457, Part IV

INVESTIGATION OF EMPLOYEE UTILIZATION IN THE EXECUTIVE DEPARTMENTS AND AGENCIES

DECEMBER —, 1950.—Submitted to the Committee on Post Office and Civil Service

PRELIMINARY REPORT

[Pursuant to H. Res. 114, 81stCong.]

PART IV

Pursuant to House Resolution 114, Eighty-first Congress, approved May 2, 1949, the Committee on Post Office and Civil Service appointed a Subcommittee To Investigate Overstaffing in the Executive Departments and Agencies. The subcommittee is conducting a survey of several agencies, the purpose of which is—

(1) to explore and evaluate the utilization of personnel;

(2) to appraise the effectiveness of existing agency management facilities in employee utilization;

(3) to ascertain and identify some of the causes and effects of overstaffing; and

(4) to suggest remedial action necessary to correct overstaffing in the executive departments and agencies.

Accordingly, the subcommittee submits the following interim report relating to the Department of the Interior as part IV of its over-all report on overstaffing in the executive departments and agencies.

THE DEPARTMENT OF THE INTERIOR

The Department of the Interior is responsible for the management, conservation, and development of the Nation's natural resources. Its jurisdiction extends over the continental United States to islands in the Caribbean and the South Pacific and to lands in the Arctic Circle. It includes the custody of 750,000,000 acres of land, the conservation and development of mineral resources and the promotion of mine safety, the protection of fish and wildlife, the administration of scenic and historic areas, the reclamation of lands of the West through irrigation, and the management of hydroelectric power systems. The Department is also responsible for the welfare of more than 2,000,000 persons in the territories and island possessions and the guardianship of approximately 400,000 Indians, and 30,000 natives of Alaska. A more complete statement of the functions performed by the Department of the Interior appears in the appendix as exhibit I.

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The organization of the Department is divided into 24 parts for which supervisory responsibilities have been assigned to principal members of the Secretary's office, as follows [1] (see fig. 1, Organization of the Department of the Interior):

(*a*) Secretary and Under Secretary:
- (1) Office of the Solicitor.
- (2) Division of Information.

(*b*) Assistant Secretary for Mineral Resources:
- (1) Division of Geography.
- (2) Division of Oil and Gas.
- (3) Bureau of Mines.
- (4) Geological Survey.

(*c*) Assistant Secretary for Public Land Management:
- (1) Division of Land Utilization.
- (2) Bureau of Land Management.
- (3) Fish and Wildlife Service.
- (4) National Park Service.
- (5) Bureau of Indian Affairs.
- (6) Office of Territories.

(*d*) Assistant Secretary for Water and Power Development:
- (1) Division of Water and Power.
- (2) Bureau of Reclamation.
- (3) Bonneville Power Administration.
- (4) Southwestern Power Administration.
- (5) Southeastern Power Administration.

(*e*) Administrative Assistant Secretary:
- (1) Division of Administrative Services.
- (2) Division of Budget and Finance.
- (3) Division of Management Research.
- (4) Division of Personnel Management.
- (5) Division of Property Management.

(*f*) Assistant to the Secretary:
- (1) Program Staff.
- (2) Special Assistant to the Secretary for International Activities.

On June 30, 1950, the Department included 65,573 Federal employees, of which 6,037 were located in the headquarters offices in Washington, D. C., and Denver, Colo., with the remaining 59,536 distributed throughout the 1,044 field installations. Field installations of the Department's several bureaus and offices are maintained as indicated in the following table:

TABLE 1.—*Field offices of constituent bureaus, Department of the Interior, as of June 30, 1950*

Name of bureau or office	Principal offices	Field installations	Total
Departmental Field Committees	6	0	6
Bureau of Indian Affairs	11	64	75
Bureau of Land Management	7	79	86
Bureau of Mines	9	74	83
Bureau of Reclamation	7	115	122
Fish and Wildlife Service	6	304	310
Geological Survey	0	190	190
National Par, Service	4	157	161
Bonneville Power Administration	5	0	5
Southwestern Power Administration	2	0	2
Alaska Road Commission	4	0	4
Total	61	983	1,044

[1] Official Organization Handbook, U.S. Department of the Interior.

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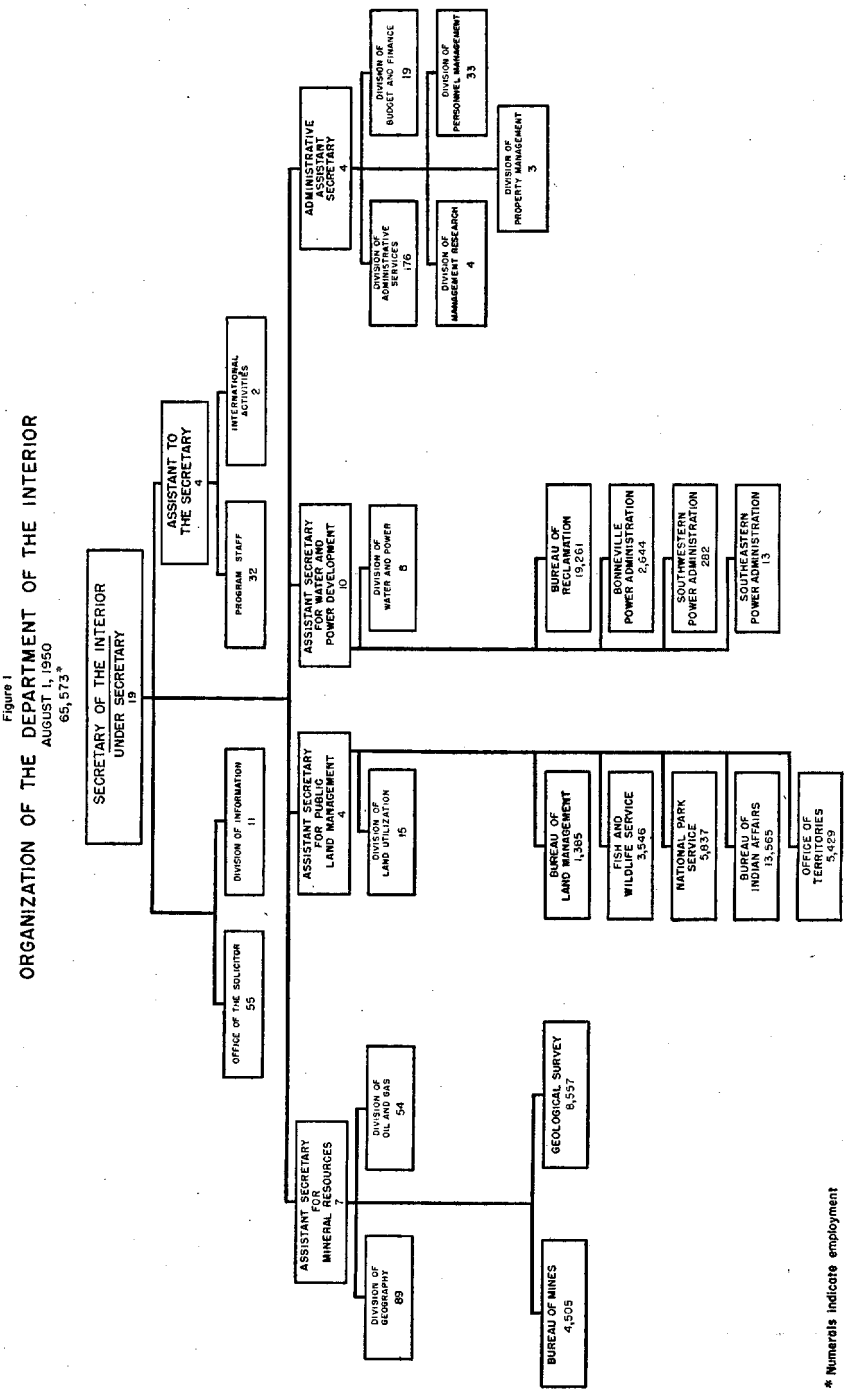
Figure 1

ORGANIZATION OF THE DEPARTMENT OF THE INTERIOR

AUGUST 1, 1950

65,573*



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The major purposes of the Department of the Interior are reasonably well related. They provide an attractive opportunity for good departmental organization and administration. Except for the community services functions of the Bureau of Indian Affairs and the economic, social, and political activities in parts of the Office of Territories, all of the Department's functions are within the broad field of natural resources. Circumstances are favorable to a well-defined, cohesive grouping of activities.[2]

FINDINGS

"The recent assignment of supervisory responsibilities to the principal members of the Secretary's office is a well-conceived improvement. It should afford better control over the bureaus within the Department for the new assignments are based upon the Department's principal functions.

"This new approach alines the administration of the Department according to its four broad functions—mineral resources, land management, water and power development, and, finally, departmental administration. The Department has adopted a functional approach in the management of a score of bureaus and divisions which are not conceived and organized in accordance with those functions. Actually, several of these bureaus perform parts of the four basic functions. Several of them carry on work in the field of mineral resources. The same condition applies to geology, engineering, conservation, etc. In practice, this dispersal and overlapping of program functions across organizational lines represents a major cause of overstaffing.

"2. Delegation of authority and reduction of the headquarters staff has not been extended to the field in keeping with the recent decentralization of responsibilities.

"The Department reports that for the past 5 years it has made a concerted effort to decentralize its operations to the field. In this there has been an attempt to draw a distinction between line operations to be carried on in the field and staff work to be retained in the Washington headquarters. In this decentralization the total employment in the field has increased from 34,752 in January 1944 to 50,769 on the same date in 1949. This represents an increase of 46 percent. During this same period the Washington headquarters staff decreased from 4,490 to 3,614 employees—a reduction of only 20 percent. Even this disproportionate decrease is substantially nullified when we take into account the 2,224 additional employees carrying on a part of the headquarters functions in Denver, Colo.

"The subcommittee does not contend that the two reductions must be by exact ratio, but it does conclude that the reduction in the headquarters staff has not been in conformity with previously expressed plans.

STAFF SERVICES

In this part the subcommittee continued its examination of four representative staff services, following each one through the several layers of administration in the Department of the Interior. Specific findings in these areas are presented under the following headings:

[2] Task Force Report on Departmental Management, Commission on Organization of the Executive Branch of the Government, p. 3, January 1949.

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"Personnel management," "Fiscal management," "General services," and "Management improvement."

Personnel management

The Division of Personnel Management for the Department has experienced difficulty in exercising control and supervision over constituent bureau personnel programs.

There is no accepted pattern for the organization of personnel functions in the bureaus. In 1943 the Division of Personnel Management established a standard for bureau organizations. Currently there are only three offices that conform to this pattern. The Department directed that Bureau Personnel Offices be composed of six functional units—a Director of Personnel, an Employment Unit, a Classification Unit, a Personnel Actions and Records Unit, a Training Unit, and an Employee Relations Unit. There are many variations of this plan in effect in the bureaus. This deviation indicates the independent attitude of bureau personnel offices.

The Department permits the bureaus to delegate appointment authority to the regional and field offices in a highly variable manner. These delegations fluctuate from appointment at grade GS–4 in the Geological Survey to GS–12 in the Bureau of Reclamation. Reluctance to delegate authority in some bureaus has retarded improvement in the personnel program. For example, in the headquarters of the Geological Survey there is a Bureau Personnel Office and three Division Personnel Offices. Regional and field actions above GS–4 are first forwarded to one of the division offices before they are submitted to the Bureau office for approval. They are then sent back to the field offices through the same cumbersome channel.

Bureau personnel records are not current. During this survey it was found that the Personnel Office of the National Park Service had no up-to-date record of a group of 27 accountants serving in the Audit Division. Similarly, the Personnel Office in the Bureau of the Mines had no current data on its Statistical Services Branch numbering 38 employees.

Staffing—Ratios: The ratio of personnel workers to total employees in the bureaus varies from 1 to 28 in the Southwestern Power Administration to 1 to 231 in the Geological Survey. Table 2, "Ratio of personnel employees to total employees in the Department of the Interior," indicates the variation prevailing in the bureaus. The divergence of these ratios indicates that little effort is being made in the central office to enforce staffing standards prescribed for personnel offices.

Table 3, "Comparison of total employees and ratio of personnel employees to total employment as of January 1, 1940, and June 30, 1950," indicates that there were 346 personnel employees on January 1, 1940, or a ratio of 1 to 132 total employees. On June 30, 1950, there were 551 personnel workers, showing a ratio of 1 to 110 employees. During this 10-year period, total employment increased 32 percent, whereas personnel employees increased 59 percent. Even though this over-all ratio is within the allowable limits prescribed by the Bureau of the Budget, each personnel worker is serving 17 percent fewer employees than in 1940.

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TABLE 2.—*Ratio of personnel employees to total employees in bureaus, Department of the Interior, as of June 30, 1950*

Organizational unit	June 30, 1950		
	Total employment	Personnel employees	Ratio of personnel to total employment
Office of the Secretary:			
Staff services [1]		33.0	
Operations	560	4.0	1:140
Fine Arts Commission	2		
Bonneville Power Administration	2,644	24.0	1:110
Southwestern Power Administration	282	10.2	1:28
Bureau of Land Management	1,385	14.7	1:94
Bureau of Indian Affairs	13,565	75.2	1:180
Bureau of Reclamation	19,261	232.5	1:83
Geological Survey	8,557	37.0	1:231
Bureau of Mines	4,505	42.0	1:107
National Park Service [2]	5,837	46.7	1:139
Fish and Wildlife Service	3,546	32.0	1:111
Total [3]	60,144	551.3	1:110

[1] Is responsible for the over-all development of policies and procedures, and the supervision and coordination of bureau and office personnel programs.
[2] Personnel actions for 682 employees of the National Capital Parks are processed by the Personnel Division of the National Park Service.
[3] Does not include Office of Territories.

TABLE 3.—*Comparison of total employees and ratio of personnel employees to total employment in the Department of the Interior as of Jan. 1, 1940, and June 30, 1950*

	Total employment	Personnel employees	Ratio of personnel employees to total employment
Jan. 1, 1940 [1]	45,690	346	1:132
June 30, 1950 [2]	60,144	551	1:110
		Number	Percent
Change in number of personnel employees		+205	+59

[1] See H. Rept. 1593, 80th Cong., 2d sess., Study of Personnel Offices in the Executive Departments and Agencies of the Government.
[2] Does not include Office of Territories.

Cost data.—Average annual salaries of personnel workers range in the bureaus from $3,293 in the Geological Survey to $4,536 in the Bonneville Power Administration. Table 4, "Costs of personnel services and average annual salary of personnel employees in the Department of the Interior for fiscal year 1950," illustrates the inconsistence of salaries of the organizational units. This difference may be partially attributed to the fact that the central office does not require or use this type of cost information.

Table 5, "Comparative total and average salary of personnel employees in the Department of the Interior as of January 1, 1940, and June 30, 1950," shows that the total annual cost of personnel services on January 1, 1940, was $634,337. On June 30, 1950, it was $2 417,370. This represents an increase of $1,783,033, or 281 percent. Average annual salaries for this same period advanced from $1,833 to $4 017, an increase of $2,184, or 119.2 percent. Legislative pay

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raises accounted for $938 (51.2 percent) of the increase during this period. However, an additional increase of $1,246 (68 percent) can be attributed to reclassification of positions and other employee promotions.

Employee turn-over.—Data submitted by the Department show that the annual rate of employee turn-over has decreased from 30.4 percent in 1947 to 15.8 in fiscal 1950.

Fiscal management

The present organization for fiscal management in the Department is based on the principle of decentralized operation under central guidance and control. In this, the bureaus have responsibility and authority to develop, organize, and administer their own financial programs with only general direction from the secretarial level. Actually, the fiscal officer of the Department exercises control only over budget preparation and the apportionment and allocation of funds. He provides no control, and very little guidance, over accounting, auditing, and payrolling activities of the bureaus.

TABLE 4.—*Costs of personal services and average annual salary of personnel employees in the Department of the Interior for fiscal year 1950*

Organizational unit	Number of employees	Fiscal year 1950	
		Annual salary costs	Average annual salary
Office of the Secretary	37.0	$194,784	$5,264
Bonneville Power Administration	24.0	108,862	4,536
Southwestern Power Administration	10.2	35,768	3,507
Bureau of Land Management	14.7	62,289	4,237
Bureau of Indian Affairs	75.2	278,641	3,705
Bureau of Reclamation	232.5	937,026	4,030
Geological Survey	37.0	121,843	3,293
Bureau of Mines	42.0	155,448	3,701
National Park Service	46.7	175,046	3,748
Fish and Wildlife Service	32.0	126,827	3,963
Health Services	17.8	71,324	4,007
Safety and Industrial Relations	32.6	149,512	4,586
Total	601.7	2,417,370	4,017

TABLE 5.—*Comparative total and average salary of personnel employees in the Department of the Interior as of Jan. 1, 1940, and June 30, 1950*

	Jan. 1, 1940 [1]	June 30, 1950 [2]	Increase for period	
			Amount	Percent
Total salary	$634,337	$2,417,370	$1,783,033	281.0
Average salary	1,833	4,017	2,184	119.2

[1] See H. Rept. 1593, 80th Cong., 2d sess., Study of Personnel Offices in the Executive Departments and Agencies of the Government.
[2] Does not include Office of Territories.

The Division of Budget and Finance, on the staff of the Secretary, is organized and staffed to carry out the administration on the principle of decentralized operations with a central control. The carrying out of this principle has been retarded by weak and ambiguous departmental orders which establish the responsibilities and authorities of the Division. This is illustrated by the following quotation from the

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order establishing the Office of Administrative Management for the Department:

> The Director of Budget and Finance * * * shall be responsible to the executive officer for—
>
> * * * * * * *
>
> (4) general direction, through bureau and office heads and their staffs, of the development and operation of all financial programs for the Department, and cooperation in this regard with the General Accounting Office, the Bureau of the Budget, and the Treasury Department.

This is the only reference to departmental responsibilities for auditing, accounting, and payrolling activities in the entire order. The authorities for budgetary responsibilities are more clearly defined.

The responsibility of the Secretary for the fiscal-management activities of the Department is definitely reaffirmed by law in section 113 of the Accounting and Auditing Act of 1950, the opening paragraph of which states:

> The head of each executive agency shall establish and maintain systems of accounting and internal control designed to provide * * *.

This responsibility and authority has long been implied, yet the Department has not crystallized its relations with the bureaus.

In the absence of clearly defined authority, the bureaus do not follow the advice or guidance which may be offered by the Office of the Secretary. The Bureaus of Reclamation and Land Management have proceeded to develop their own improved fiscal management. Other bureaus are doing very little toward this end.

Budget.—In past years the budget staffs of the bureaus have been burdened with large numbers of appropriations. Beginning with fiscal year 1951 the total number of them has been greatly reduced. This improvement suggests a simplification of both budget preparation and accounting with a corresponding reduction in personnel. There is no evidence that present planning is directed toward this reduction.

While the staff at the secretarial level has a great deal to say about the policies and objectives of budget preparation and execution, it does not concern itself with the methods or personnel used in the individual bureaus. Consequently, some bureaus use a large number of people in detailed budget work while others use only a few top-grade executives and program people in this activity. In both extremes, the utilization of personnel is poor.

Accounting.—The accounting in the Department lacks uniformity. The variable nature of bureau program requirements leads to individualization of accounting methods and procedures. This should not affect accounting policy and objectives. Yet, accounting objectives are widely dissimilar.

The Secretary's Division of Budget and Finance is responsible for the coordination of accounting throughout the Department, but it is not adequately staffed or clearly authorized to discharge this responsibility. In reality, this is an example of poor personnel utilization. Additional personnel assigned at this key point would obviate the need for many employees at related points throughout the bureaus. At present, impetus for improvements in the accounting system of the bureaus must come from the General Accounting Office or the Bureau of the Budget. Fiscal officers of the bureaus look to these agencies for assistance.

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All bureaus have attempted to decentralize accounting. In this, some bureaus have gone to extremes while others have decentralized very little. Both extremes are costly in the use of personnel. In the first instance, there is a tendency toward "accounting for accounting's sake" at the lowest level of the organization. In the other plan, the practice is to maintain duplicating accounts at every level.

During the past 5 or 6 years the Bureau of Reclamation has made progress toward the development of a workable accounting system. It has now reached a point where a complete reappraisal should be made to consolidate or eliminate some of its accounting activities.

Accounting operations of the Fish and Wildlife Service, the Bureau of Indian Affairs, the Bureau of Land Management, the Bureau of Mines, the Geological Survey, and the National Park Service are costly. Minor improvements in methods are being adopted, but little or no thought is being given to a major overhauling of the system which would enable a more efficient operation with fewer employees.

Auditing.—One of the fundamental requirements of the General Accounting Office for an on-site, business-type audit is a satisfactory system of post audit in the agency involved. Only three bureaus of the Department are meeting this qualification.

Internal pre-audit, or voucher examination, is handled differently in all of the bureaus. The Bureau of Reclamation performs the most complete yet least expensive examination, while the Fish and Wildlife Service carries on the most casual but expensive operation. In general, there is too much time devoted to the examination, reexamination and audit of vouchers throughout the Department. There is no clear delineation of the aims of the voucher audit given to the operating personnel. These conditions cause too many people to be engaged in pre-audits. Again this practice stems from the decentralization of responsibility without corresponding decentralization of authority. This is particularly true in the Bureau of Mines, Geological Survey, the National Park Service, Fish and Wildlife Service, and the Bureau of Indian Affairs.

Payroll, leave, and retirement.—As a result of efforts put forth by the Bureau of the Budget, the operation and accountability for payrolling has recently been made the responsibility of fiscal management. Like the other functions of fiscal management, there is no uniformity of objectives or methods in the payrolling operations of the bureaus. Payrolling in the Geological Survey is completely centralized at Washington. In the Bureau of Reclamation this function is almost completely decentralized. In all instances, only little consideration has been given to the cost of this operation in spite of the fact that the cost of preparing payrolls for each employee varies from a low of $9.14 per year in Geological Survey to $19.41 in the Bureau of Reclamation. This variation again shows that extreme decentralization of housekeeping functions is costly in both money and personnel.

Table 6 shows the number of personnel in each bureau or office spending more than 50 percent of their time in fiscal activities. It should be noted that while the Bonneville Power Administration has a relatively high average salary rate, its system of commercial-type fiscal management makes it possible for it to have the lowest unit cost. On the other hand, the Fish and Wildlife Service has almost the lowest average salary, yet its unit cost is next to the highest. Unit costs for the Bureau of Land Management are also high in relation to

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average salaries paid. The Bureau of Indian Affairs furnishes fiscal-management services for trust, tribal, and private funds which are not reflected in the cost figures in table 6. Therefore, their cost is not directly comparable but it is still too high in comparison to the relatively low salaries paid.

A realistic approach to controlled decentralization and modernization of the accounting systems in the bureaus will show that the accounting and audit responsibilities could be executed with fewer employees.

TABLE 6.—*Number of employees engaged in and cost of fiscal management functions*

Bureau or office	Employees engaged in—					Total costs for personnel	Relative cost position [1]	
	Budget	Accounting	Payrolling	Voucher examination	Total		Average salary	Total unit cost [2]
Office of Secretary	8	16	4	2	30	$30,237	1	3
Southwestern Power	2	10	2	1	15	63,168	2	6
Reclamation	71	537	109	80	797	3,003,657	3	9
Bonneville Power	8	48	10	12	78	286,981	4	10
Office of Territories	4	2	1	1	8	28,896	5	(3)
Land Management	4	49	9	7	69	234,907	6	1
Bureau of Mines	4	52	18	20	94	318,656	7	7
Geologic Survey	4	55	27	15	101	336,629	8	5
Indian Affairs	13	210	50	51	324	1,056,891	9	4
Fish and Wildlife Service	8	45	19	15	87	281,598	10	2
National Park Service	9	35	29	17	90	285,198	11	8
Total	135	1,059	278	221	1,693	6,026,818	$3,560	

[1] 1=highest cost; 2=second highest cost, etc.
[2] Cost per appropriated dollar for operations in continental United States.
[3] Not comparable.

General services

Procurement.—Procurement activities throughout the headquarters of the Department are wasteful and extravagant. The facilities for purchases, amounting to more than $53,000,000 in fiscal 1950, are badly organized and poorly supervised. Table 7, "Average number of employees and relative cost of purchasing operations during fiscal year 1949," shows that the average cost of processing each purchase order is nearly $10 ($9.95). The 108 employees engaged in this activity throughout the headquarters produce orders at the rate of only 1.4 per day per employee. Daily average production rates vary between 0.7 per employee in the Southwestern Power Administration to 3.6 in the Bureau of Land Management. Only in the Bureau of Reclamation is there any concern over this miserable record. In that Bureau an effort is being made to reduce the number of small purchases and to promote economy in this phase of the Bureau's operation. In July 1950 the Director of Supply issued the following instructions to all of the field offices in the Bureau of Reclamation:

> All Bureau procurement offices are urged to study their procurement transactions with a view to reducing the number of procurement transactions involving the purchase of small-dollar-value items. Wherever possible such purchases should be consolidated and such small items procured for stock and issue on a 3-month basis. When it is considered that it cost about $6.35 for each procurement action handled by the Bureau, the need for reducing the number of such procurement actions involving small items is readily apparent.

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These instructions are timely, for this survey reveals that the average cost of issuing each Bureau of Reclamation purchase order is $17.35 instead of the $6.35 estimated by the Bureau.

Examination of purchase orders.—After reviewing the high unit costs of issuing purchase orders shown in table 7, the subcommittee directed its staff to make a detailed examination of each purchase order issued during the month of August 1950 in the Bureau of Reclamation, the Fish and Wildlife Service, and the National Park Service. This inspection revealed that the Fish and Wildlife Service issued a purchase order in the amount of 32 cents, even though it costs an average of $13.78 to do so. The Bureau of Reclamation bought $2.45 worth of paper drinking cups at an average administrative cost of $17.35 for use in the transport airplane assigned to Bureau executives. The National Park Service issued an order in the amount of 50 cents for a copy of the August issue of Esquire magazine to be delivered to the Office of the Director. Another order was issued for a copy of a Rand-McNally atlas for which the sale price was 75 cents. Table 7 shows that the cost of issuing each one of these orders in the National Park Service was $13.39.

TABLE 7.—*Average number of employees and relative cost of purchasing operations during fiscal year 1949*

Organization	Purchase orders			Employees engaged in issuing purchase orders				
	Number issued	Dollar volume	Percent under $20	Number of employees	Total cost of personal services	Yearly average per employee	Daily average per employee	Average cost
Office of the Secretary	2,734	$263,812	57	4	$13,075	683.5	2.7	$4.78
Bureau of Indian Affairs	1,121	833,819	26	2.5	11,088	448.0	1.8	9.89
Bureau of Land Management	1,906	276,862	58	2.1	8,004	908.0	3.6	4.20
Bureau of Mines	3,345	569,523	29	7	25,375	478.0	1.9	7.59
Bureau of Reclamation	7,071	19,172,173	39	31.65	122,663	223.0	.9	17.35
Fish and Wildlife Service	1,597	1,731,364	46	6.65	22,007	240.0	1.0	13.78
Geological Survey	8,789	3,526,654	35	14.65	49,663	602.0	2.4	5.65
National Park Service	1,384	1,044,417	35	5	18,535	277.0	1.1	13.39
Bonneville Power Administration	9,531	25,741,469	26	28	97,017	340.0	1.3	10.18
Southwestern Power Administration	1,073	604,034	38	6	17,000	179.0	.7	15.84
Division of Geography	174	6,740	74	.25	839	696.0	2.8	4.82
Total	38,725	53,770,867	36	108	385,266	359.0	1.4	9.95

Management improvement

Except in the Bureaus of Land Management and Reclamation, management improvement activities in the Department are either in the initial planning phase or nonexistent. In all, there are 37 employees working in this activity in the headquarters offices at a total annual cost (including travel) of $247,897. (See table 8, "Personnel engaged in management improvement in the Department of the Interior, 1950".)

Approximately half of this total is expended in the Bureaus of Reclamation and Land Management. The remaining half represents hastily organized efforts to satisfy the provisions of Executive Order 10072 which established a management improvement program throughout the executive branch of the Government. Table 8 shows that six important organizations, with a total employment of 25,000

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employees, have made practically no effort to comply with this Presidential directive.

This circumstance is not easily understood, especially in view of the fact that existing improvement activities in Land Management and Reclamation are so well developed and administered. In these two Bureaus the management staffs are assigned to workaday problems in cooperation with operating officials. They have made progress in instilling a philosophy of cost consciousness in the minds of many of the division and branch supervisors. They have gained the support and confidence of the heads of their respective bureaus by showing evidence of real savings that have accrued from their efforts. The cost of their program is fully justified and their record should be emulated by the other bureaus in the Department.

TABLE 8.—*Personnel engaged in management improvement in the Department of the Interior, 1950*

Identity of organizational units [1]	Number of persons	
	Reported on management improvement questionnaire by agency	Shown by survey
Office of the Secretary	3	4
Bureau of Indian Affairs	3	3
Bureau of Land Management	4	4
Bureau of Mines	6	0
Bureau of Reclamation	8	15
Fish and Wildlife Service	4	5
Bonneville Power Administration	6	6
Southwestern Power Administration	2	0
Geological Survey	2	0
National Park Service	0	0
Office of Territories	1	0
Total	39	37
Ratio to total personnel	1:1,681	1:1,772
Total number of central locations	10	6
Cost for personal services	$248,355	$247,897

[1] No management improvement personnel listed for the Alaska Railroad, Alaska Road Commission, Puerto Rico Reconstruction Administration, Virgin Islands Corporation, and the Southeastern Power Administration.

From all of this, the subcommittee can only conclude that the Bureau of Mines, the Geological Survey, the National Park Service, the Southwestern Power Administration, and the office of Territories are not inclined to improve their own administration.

AREAS OF UNSATISFACTORY ADMINISTRATION

The Office of Territories

There are several examples of unsatisfactory administration in the Department of the Interior. The Office of Territories numbers more than 5,000 employees and receives a direct appropriation of funds in excess of $45,000,000, yet there is little or no information available in the Washington office on its field activities. Most of the employees are not within the competitive civil service. Similarly, the Office is excused from the usual controls incident to the reporting requirements of the Bureau of the Budget. There are 71 employees on the staff in the Washington headquarters. They were unable to supply factual information about the administration of their program.

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The Geological Survey

The relationship of the Geological Survey with the Department is unique. It operates almost separate and apart from the Department, and there is little knowledge concerning its operation at the secretarial level. Its organization is made up of four highly professionalized divisions, which are practically independent of each other.

The Geological Survey has paid little attention to the Department's efforts to decentralize its activities closer to the scene of its operations. It chooses to remain the most centralized activity within the Department; yet each of the divisions maintains separate administrative services, including budget, personnel, accounting, and procurement services. Each division has its own supply room; and its scientific equipment, although consisting of many of the same items, are kept separately in the so-called central warehouse. Equipment and supplies are procured at seven different points in the headquarters organization.

An attitude of intolerance toward good administrative practices pervades the organization. The following quotation, taken from a report submitted to the subcommittee by the Survey, serves to illustrate this attitude:

> In a highly technical engineering and scientific organization, such as the Geological Survey, recognition must, of necessity, be given to the difference between operating problems (involving scientific skills) and administrative, or housekeeping problems. Awareness of this distinction is of prime importance. For example, in many agencies the organization and management staff can be used interchangeably on either program or administrative problems, but not in the Survey. In the Survey, however, the usual type of operations and management analyst would be of no use if confronted with such a technical problem as how best to perfect the accurate measurement of flood flows through a survey of critical data after the flood has occurred. Such problems must be left to the employees who have competence in the many highly specialized fields of scientific endeavor which touch upon the Survey's operational programs. Because of this need for technical specialization, the Survey must assign the improvement of program techniques to its technical divisions. This necessary and practical arrangement precludes the segregation or formalizing of any segment of a program staff to devote full time to personnel management improvement activities. No study has ever been made of the portion of the total time that operating personnel spend in management improvement. The very fact that the Survey, throughout its expansion, has not only been able to keep its head above water, but has increased its reputation for professional competence, is ample evidence of the exercise of such considerable ingenuity that many a formalized staff in a static agency would proudly claim it as savings attributable to management improvement. For example, when the agency first undertook to test a sudden great increase in the number of samples of ore for the presence of uranium, it took highly skilled employees 2 weeks to make a single test. With the new techniques and equipment which were then developed it is possible for subprofessional personnel to test a sample in 2 minutes. The saving represented by the number of employees who would have been hired if the new technique had not been developed is significant. Here again, management experts could not have devised the most efficient method. The improvement was worked out by the technical staff.

Here is a fertile yet difficult field for management improvement.

RECOMMENDATIONS

In view of the conditions described in this report, the subcommittee makes the following recommendations which it believes necessary to improve the over-all management and utilization of personnel in the Department of the Interior:

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1. The authorities of the Secretary of the Department and the members of his staff should be firmly established in the subordinate bureaus.

2. Upon fulfillment of recommendation No. 1, the Secretary should conduct a thorough examination of the functions in which the bureaus are now engaged in order to eliminate all of the nonessential duplicating and overlapping activities.

3. In this, the major objective should be a realinement of bureau activities in conformance with the four major functions of the Department; i. e., (1) mineral resources, (2) land management, (3) water and power development, and (4) administration.

The Secretary of the Department should give consideration to the following recommendations for the improvement of his four principal staff services:

PERSONNEL

1. The central Division of Personnel at the secretarial level should be given more authority to control personnel policies and procedures in the constituent bureaus of the Department.

2. The central Division of Personnel should aggressively examine and evaluate personnel management in the Bureau personnel offices. These offices should be made to adhere to departmental directives calling for—

(*a*) a standardized pattern of organization;

(*b*) greater uniformity in staffing requirements; elimination of the wide variance in the number of employees required;

(*c*) the development of a realistic classification standards to insure equal pay for equal work; and

(*d*) uniform delegation of appointment authority to the field offices.

FISCAL MANAGEMENT

1. The Division of Budget and Finance should be activated as the focal point for all funds appropriated to and expended in the Department.

2. There should be a more consuming relationship between the Division of Budget and Finance and the directors of the several bureaus.

3. The bureau directors should appraise the present fiscal activities within their respective bureaus in order to install a more meaningful fiscal system to be used as a tool for better bureau management.

4. The staff of the departmental fiscal officers should be increased. Additional qualified personnel should be assigned so that improvements in the fiscal management of the bureaus can be accelerated toward a reduction in total bureau employment.

GENERAL SERVICES

1. The Divisions of Property Management and Administrative Services, in the Office of the Secretary, should prosecute a thorough reorganization of the procurement activities in the headquarters offices. Methods, procedures, and controls should be promulgated to insure a marked reduction in operating costs.

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MANAGEMENT IMPROVEMENT

1. An adequate management-improvement program should be devised for the Department in conformance with the provisions of Executive Order 10072.

2. Personnel from existing management-improvement groups in the Bureaus of Reclamation and Land Management should be temporarily loaned to other bureaus to initiate badly needed management-improvement programs.

Additional recommendations pertaining to the Department of the Interior will be included in subsequent reports of the subcommittee.

JOHN BELL WILLIAMS, *Chairman.*
JAMES C. DAVIS.
A. S. HERLONG, Jr.
EDWARD H. REES.
HAROLD C. HAGEN.

APPENDIX

EXHIBIT I

SUMMARY OF FUNCTIONS PERFORMED BY THE DEPARTMENT OF THE INTERIOR

The Department of the Interior, created by the act of March 3, 1849, is responsible for the management, conservation, and development of the natural resources of the United States. These resources include the public lands and the Federal range, water, and power resources, oil and gas and other mineral resources, certain forest resources, fish and wildlife resources, and the national park system. In addition, the Department of the Interior has specialized responsibilities to the Indians and to the Territories and island possessions of the United States.

The Department of the Interior consists of the following agencies:

(*a*) Office of the Secretary.
(*b*) Bureau of Indian Affairs.
(*c*) Bureau of Land Management.
(*d*) Bureau of Mines.
(*e*) Bureau of Reclamation.
(*f*) Fish and Wildlife Service
(*g*) Geological Survey.
(*h*) National Park, Service.
(*i*) Bonneville Power Administration.
(*j*) Southwestern Power Administration.
(*k*) Southeastern Power Administration.
(*l*) Office of Territories.
(*m*) The Alaska Railroad.
(*n*) Alaska Road Commission.
(*o*) Puerto Rico Reconstruction Administration.
(*p*) Virgin Islands Corporation;

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SECRETARY OF THE INTERIOR

The Secretary of the Interior is the head of the Department and is charged with the supervision and direction of the functions performed and activities carried on by the offices and employees throughout the Department. All bureaus and offices of the Department are responsible to the Secretary.

UNDER SECRETARY AND ASSISTANT SECRETARIES OF THE INTERIOR

Under Secretary.—The Under Secretary advises and assists the Secretary in the determination and execution of departmental policy and programs. He serves as the Secretary's principal adviser and as Acting Secretary of the Interior during the absence of the Secretary. The Under Secretary assists the Secretary in directing the Department's relationships with other Federal departments, the Congress, and the public. He has direct supervisory responsibility for the Office of the Solicitor and the Division of Information.

The Assistant Secretary for Mineral Resources.—The Assistant Secretary for Mineral Resources performs all necessary duties and functions to exercise the authority of the Secretary of the Interior with respect to matters in the field of minerals and fuels development and utilization and exercises secretarial direction and supervision over the Division of Oil and Gas, the Division of Geography, the Bureau of Mines, and the Geological Survey.

The Division of Oil and Gas serves as the channel of communication between the Federal Government and the petroleum industry and as the Government liaison agency with State oil and gas bodies. The Division assists the Assistant Secretary for Mineral Resources in coordinating and unifying oil and gas policy and administrative activities of Federal departments and agencies; reviewing and coordinating Federal policy with respect to technological developments in petroleum and synthetic hydrocarbon fuels; obtaining and analyzing information on oil and gas matters in which the Federal Government has a proper interest, and serving as the central clearinghouse for statistics, technical data, and other information; coordinating all oil and gas policies and activities in the Department; and developing proposals looking to centralization of Federal oil and gas functions and activities.

The Division of Geography assists the Assistant Secretary for Mineral Resources in performing the operational responsibilities of the Secretary of the Interior who, cojointly with the Board on Geographic Names, has the duty of standardizing geographic names in the United States and throughout the world.

The Assistant Secretary for Public Land Management.—The Assistant Secretary for Public Land Management performs all necessary duties and functions to exercise the authority of the Secretary of the Interior with respect to matters in the field of land utilization and management and exercises secretarial direction and supervision over the Division of Land Utilization, the Bureau of Land Management, the Fish and Wildlife Service, the National Park Service, the Bureau of Indian Affairs, and the Office of Territories.

The Division of Land Utilization provides technical staff assistance for the Assistant Secretary for Public Land Management on land-use

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and community-service management and on the development and coordination of programs in this area.

The Assistant Secretary for Water and Power Development.—The Assistant Secretary for Water and Power Development performs all necessary duties and functions to exercise the authority of the Secretary of the Interior with respect to matters in the field of water and power development and exercises secretarial direction and supervision over the Division of Water and Power, the Bureau of Reclamation, the Bonneville Power Administration, the Southwestern Power Administration, and the Southeastern Power Administration.

The Division of Water and Power assists the Assistant Secretary for Water and Power Development in the general supervision of all the policies, programs of construction or acquisition, activities, reports, recommendations, and contracts relating to the conservation, development, utilization, or marketing of water or power, appertaining to all agencies of the Department; and acts as the liaison office between the Assistant Secretary for Water and Power Development and other agencies of the Government on matters relating to the conservation, development, and utilization of water and power resources.

Administrative Assistant Secretary.—The Administrative Assistant Secretary performs all necessary duties and functions to exercise the authority of the Secretary of the Interior with respect to matters in the field of administrative management and exercises secretarial direction and supervision over the Division of Administrative Services; the Division of Budget and Finance, the Division of Management Research, the Division of Personnel Management, and the Division of Property Management.

BUREAU OF LAND MANAGEMENT

The Director of the Bureau of Land Management is charged with the management, leasing, and disposal of the vacant public lands and the timber and other resources therein; the execution of all laws relating to the surveying, prospecting, locating, appropriating, entering, reconveying, and patenting of all public lands within the public domain, including national forests and other reservations; and the conduct of scientific and professional work in the fields of land and mineral economics. He administers the mining and mineral leasing laws on lands in the public domain and purchased lands under the jurisdiction of various Federal agencies. He supervises grazing on Federal range in order to protect the lands, stabilize the livestock industry dependent upon them, permit the highest use of the forage and other resources, and at the same time retard soil erosion and facilitate flood control.

BUREAU OF INDIAN AFFAIRS

The Commissioner of Indian Affairs is responsible for the management of all Indian affairs and of matters arising out of Indian relations. This includes the economic development and relief of the Indian, both tribally and as an individual; the organization of Indian tribes, including credit organizations; Indian education in boarding schools, day schools, and community centers operated by the Government, and in public schools and other nongovernmental institutions;

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the health, medical, and sanitation activities; the land program, involving land acquisition and adjustment, tribal enrollment, land sales, and contracts; forestry, involving forest management, fire protection, grazing; the furtherance of an agricultural extension program; irrigation, both construction and maintenance and operation; the construction and upkeep of buildings at field units; the construction and maintenance of roads and bridges on Indian lands; also health, education, and other activities in behalf of the natives of Alaska.

THE GEOLOGICAL SURVEY

The Director of the Geological Survey has responsibility for the direction of the Geological Survey, the classification of the public lands, and the examination of the geological structure and the mineral resources and products of the national domain. In conformity with its organic act and later legislation the Geological Survey is engaged in the preparation and publication of reports upon the geology and mineral resources of the United States and Alaska, in the investigation of strategic and deficient minerals in Latin America, and in the chemical and physical research incident to the work; in the preparation, publication, and sale of topographic maps of the United States and its dependencies; in investigating and reporting upon water resources, both surface and underground; in classifying the public lands as to their mineral and power value and in supervising the technical phases of mineral leasing on lands in which the title to the mineral resources remains in the United States.

BUREAU OF RECLAMATION

The Commissioner is in administrative charge of all the activities of the Bureau of Reclamation, including preliminary surveys and investigations of proposed projects, the preparation of plans, the construction of irrigation works and multiple-purpose dams, power development, the administration of funds provided for reclamation, the operation and maintenance of completed projects, the settlement and development of project areas, repayments from irrigation districts and water users' associations of the cost of the construction works allocated to irrigation, and return of the investment in power facilities.

NATIONAL PARK SERVICE

The Director of the National Park Service administers the national parks, national monuments, and other areas of scenic and historic significance.

The National Park Service formulates policies and directs protective work from the standpoint of preservation and of enjoyment by visitors; directs public interpretive service in natural sciences, history, and archeology; directs construction from engineering, architectural and landscape viewpoints; provides for museum developments; issues publications for the information of visitors and prospective visitors; is responsible for the investigation of proposed national parks, monuments, and historic sites, and other park projects; and furnishes advice on national park establishment, policies, and management to foreign park officials, as requested.

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The National Park Service aids other Federal and State agencies with planning for their park, parkway and recreational area programs. Under cooperative agreements with the Bureau of Reclamation of the Department of the Interior, the Service assists that agency in planning and managing recreational activities on and around reservoirs.

The National Park Service maintains the Executive Mansion and grounds. The Director of the National Park Service is executive officer of the National Capital Park and Planning Commission and a member of the National Park Trust Fund Board, the District of Columbia Zoning Commission, and various other commissions and committees.

BUREAU OF MINES

It is the duty of the Bureau of Mines to conduct scientific and technologic investigations on mining, and on the preparation, treatment, and utilization of mineral substances, in order to increase safety, efficiency, economic development, and conservation of mineral resources; and to inquire into the economic conditions affecting the mineral industries.

The Bureau of Mines investigates domestic mineral resources to increase reserves of minerals essential to national defense or industry and of which present or prospective supplies are inadequate.

The Bureau carries on extensive research and experimentation to (1) determine the most economical methods of treating marginal ores to produce metals and minerals that meet current industrial standards, (2) develop alternative extractive methods for utilizing waste metals and ores that do not respond to mechanical benefication, and (3) develop substitutes and replacements for metals and minerals of which this country lacks adequate deposits.

Fundamental information in the production, marketing, distribution, and consumption of all major mineral commodities are collected and analyzed by the Bureau, and these data made known to industry and Government, and the general public.

Assistance is given in rescue and recovery work after mine disasters and the causes of accidents are investigated. The Bureau inspects coal mines periodically and makes recommendations for correcting hazardous conditions and practices observed. Its findings are made available to the operators, the mine workers' organization, the appropriate State authorities, and the public, and through cooperative efforts with management and workers in the coal-mining industry the Bureau seeks to improve safety conditions and practices.

FISH AND WILDLIFE SERVICE

The Fish and Wildlife Service is concerned with the conservation of the Nation's natural resources in the field of vertebrate wildlife, including the land and water mammals and birds and the fishes, reptiles, and amphibians, and also shellfishes and crustaceans.

The activities of this agency include such lines of work as (1) business administration; (2) wildlife research; (3) fishery biology; (4) Federal aid to States in wildlife restoration; (5) land acquisitions; (6) wildlife refuge administration and management; (7) game management and conservation law enforcement; (8) fishery industries; (9) fish culture; (10) Alaska fisheries; (11) predator and rodent control;

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(2) foreign activities relating to international agreements concerning fish and wildlife, including the Whaling Treaty Act; (13) Philippine fishery rehabilitation program; (14) Pacific Oceanic fishery investigations; (15) river basin studies; and (16) public relations, in the dissemination of information developed through research and management and to facilitate law enforcement by acquainting the public with the nature and need of regulatory action.

The fishery functions of the Service involve the promotion of trade and commerce in fishery products, as well as the conservation of fishery resources. This includes the inquiry into the causes of fluctuations in abundance of food fishes in the lakes, rivers, and coastal waters of the United States, the development of methods of husbanding these resources, including improvements in methods of fish culture and investigation of important fisheries of the Atlantic, Gulf, and Pacific coasts, with a view to determining the condition of these resources; the propagation and distribution of food fishes; the rescuing of fishes from overflowed lands and the distribution of such fishes to suitable waters; the study of the methods of the fisheries and of the preservation, utilization, and merchandising of fishery products; the collection and compilation of statistics of the fisheries; and the protection and conservation of the salmon and other fisheries of Alaska.

The Service is responsible for the administration of the fur-seal herd of the Pribilof Islands and the care of the natives of these islands. Through the agency of the Alaska Game Commission it also regulates hunting and trapping in the Territory, for the protection of big-game and fur mammals and of game and other birds.

DIVISION OF TERRITORIES AND ISLAND POSSESSIONS

The Office of Territories centralizes the Department's responsibilities in connection with the civil government and certain other Federal functions and agencies in Alaska, Hawaii, Puerto Rico, the Virgin Islands, the Equatorial Islands, the island of Guam, American Samoa and the Trust Territory of the Pacific. The responsibilities may be broken down as follows:

1. Representation of Congress and the President in observing and reporting the political, social, and economic progress of the Territorial areas under the laws enacted for their government.
2. Origination and implementation of Federal policy in the Territories through legislation, direct executive actions through the governors, administrative action of other agencies through their field organization, and public-relations contacts.
3. Representation in Washington of the governors reporting through the Division to the President and working through the Division on congressional and departmental matters.
4. Participation in foreign-policy matters concerning or arising from our Territorial interests including relations with such agencies as the United Nations, Caribbean Commission, South Pacific Commission, and intragovernmental activities such as tariff and trade agreements affecting the Territories.
5. Operating responsibilities in the territories such as the Alaska Road Commission, the Alaska Railroad, the Puerto Rico Reconstruction Administration, and the Virgin Islands Corporation.

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6. Participation in the drafting of legislation to be introduced in the Territorial legislature or in Congress and representation of the Territories in litigation on appeal in the Federal courts, and in proceedings before Federal administrative agencies.

7. Participation in the preparation and presentation of annual budget estimates to Congress for all offices under the administrative jurisdiction of the Office of Territories.

BONNEVILLE POWER ADMINISTRATION

The Bonneville Power Administration is responsible for marketing power generated at Bonneville Dam on the Columbia River in Oregon and Washington, Grand Coulee Dam on the Columbia River in Washington, the Hungry Horse Dam on the South Fork of the Flathead River in western Montana, the McNary Dam project, the Snake River navigation and power projects, the Foster Creek Dam to be constructed on the Columbia River and at Detroit Dam, and other dams to be constructed in the Willamette River Basin. It is directed by statute to encourage the widest possible use of electric energy generated at Federal projects and to provide market outlets therefor by constructing, operating, maintaining, and improving such electric transmission lines and substations as may be necessary.

SOUTHWESTERN POWER ADMINISTRATION

The Southwestern Power Administration is the agent for the operation of the facilities of the Grand River Dam Authority and for the sale and distribution of all electrical energy generated at the Pensacola, Denison, and Norfolk Dams in the States of Oklahoma, Texas, and Arkansas, and the surplus electric energy produced by the multipurpose dams constructed by the War Department in the area including all of the States of Arkansas and Louisiana, all of Texas and Oklahoma east of the ninety-ninth meridian and north of the San Antonio River Basin, and all of Missouri and Kansas east of the ninety-eighth meridian and south of the Missouri River Basin.

SOUTHEASTERN POWER ADMINISTRATION

The Southeastern Power Administration was established in 1950 as an agency of the Department, to carry out the functions assigned to the Secretary of the Interior by section 5 of the Flood Control Act of December 22, 1944 (16 U. S. C., 1946 ed., sec. 825s), with respect to the transmission and disposition of electric power and energy generated at reservoir projects which are or may be under the control of the Department of the Army in the States of West Virginia, Virginia, North Carolina, South Carolina, Georgia, Florida, Alabama, Mississippi, Tennessee, and Kentucky.

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81ST CONGRESS } HOUSE OF REPRESENTATIVES { REPT. 2457
2d Session } { Part V

INVESTIGATION OF EMPLOYEE UTILIZATION IN THE EXECUTIVE DEPARTMENTS AND AGENCIES

JANUARY 1, 1951.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. WILLIAMS, from the Committee on Post Office and Civil Service, submitted the following

PRELIMINARY REPORT

[Pursuant to H. Res. 114, 81st Cong.]

PART V

Pursuant to House Resolution 114, Eighty-first Congress, approved May 2, 1949, the Committee on Post Office and Civil Service appointed a subcommittee to investigate overstaffing in the executive departments and agencies. The subcommittee is conducting a survey of several agencies, the purpose of which is—

(1) to explore and evaluate the utilization of personnel;

(2) to appraise the effectiveness of existing agency management facilities in employee utilization;

(3) to ascertain and identify some of the causes and effects of overstaffing; and

(4) to suggest remedial action necessary to correct overstaffing in the executive departments and agencies.

Accordingly, the subcommittee submits the following interim report relating to the General Services Administration as part V of its overall report on overstaffing in the executive departments and agencies.

THE GENERAL SERVICES ADMINISTRATION

After surveying a large Government agency and two long-established executive departments,[1] the subcommittee turned its attention to the General Services Administration. It is a comparatively new organization, established in July 1949, only 18 months ago.

The framework of the General Services Administration was designed in the provisions of Public Law 152, Eighty-first Congress,[2] to provide the Government with a better system for the procurement and supply of personal property and nonpersonal property, the disposal of surplus

[1] H. Rept. No. 2457, 81st Cong., 2d sess.—
Part I: The Federal Security Agency;
Part II: Prices and Cost of Living Division, Bureau of Labor Statistics, Department of Labor;
Part III: The Department of the Treasury;
Part IV: The Department of the Interior.

[2] Amended by Public Law 754, 81st Cong., 2d sess.

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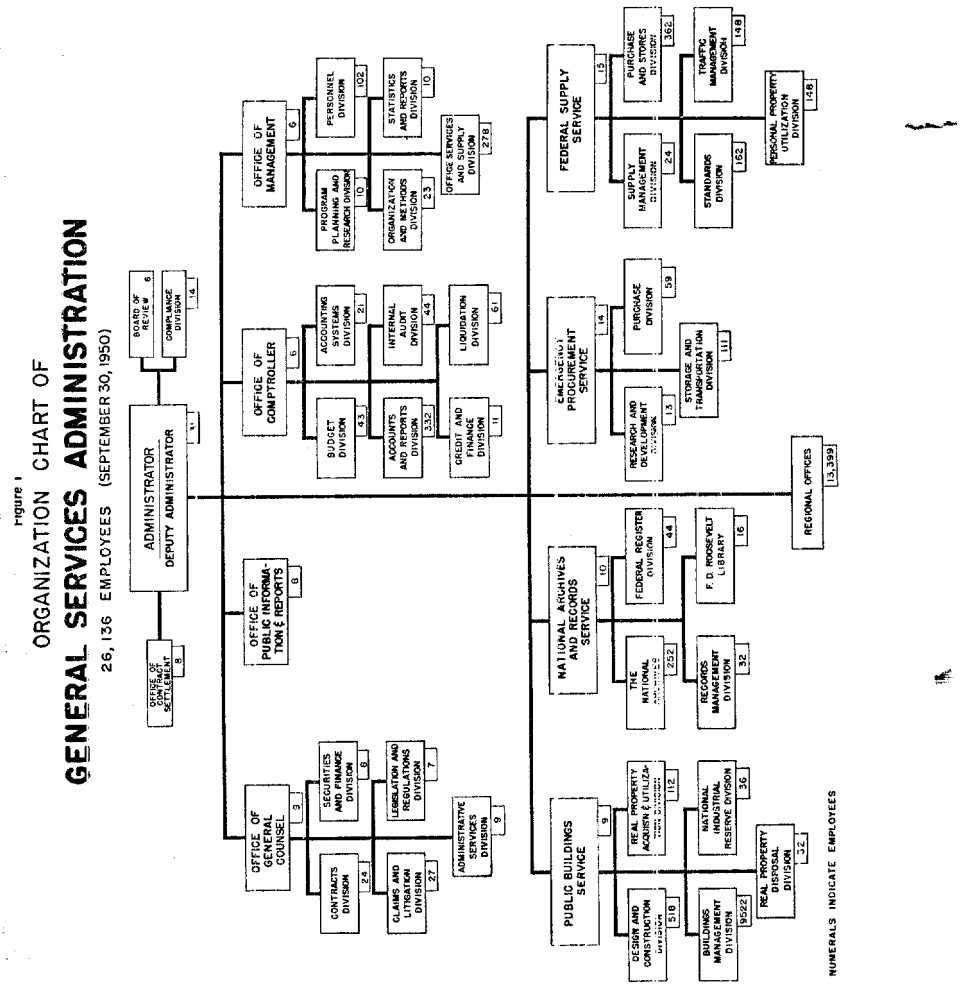
Figure 1

ORGANIZATION CHART OF

GENERAL SERVICES ADMINISTRATION

26,136 EMPLOYEES (SEPTEMBER 30, 1950)



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property, the utilization of available property, the management of Federal records, and certain construction and service activities.[3]

Under the Office of the Administrator the organization consists of the Public Buildings Service, the National Archives and Records Service, the Federal Supply Service, and the Emergency Procurement Service. The top staff of the Administration is divided into four principal offices identified as the Office of (1) the Comptroller, (2) the General Counsel, (3) Information and Reports, and (4) Management.

On September 30, 1950, there were 26,136 employees in the Administration assigned in the manner illustrated in figure 1, Organization Chart of the General Services Administration. The agency maintains 10 regional offices situated in key cities throughout the Nation.

ORGANIZATION

The basic organization of the Administration is sound. It is the product of good planning in both the legislative and executive branches of the Government, stimulated by widespread recognition of the need for a central agency to direct as well as operate certain of the common administrative functions of the Government. Its basic functions make up a well-defined, cohesive grouping of activities. In general, its organization and functions follow a pattern recommended by the Commission on Organization of the Executive Branch of the Government.[4]

In theory, the present leadership has continued this standard in fixing the top structure of the agency organization. With one or two exceptions, responsibilities and authorities are arranged in a manner that should ultimately help to realize the objectives of efficiency and economy for whch the organization was created.

GENERAL FINDINGS

The operation of the programs to be carried on by the General Services Administration has not been stabilized to a point where a conclusive survey of personnel utilization can be made. Total employment has fluctuated sharply as the result of internal reorganization. Only one 3-month period, July to September 1950, can be accepted as a fair sample of stable employment within the agency.

During the past year the Administration has attempted to prepare itself to carry out a twofold responsibility. Under its present mandate it is obligated to operate some common services for all of the Government while simultaneously providing direction and control of related services performed in other agencies. For example, the Federal Supply Service operates a Nation-wide system of stores from which common use items are supplied to all agencies both in Washington and the field service. At the same time the service also governs the policies and procedures for the operation of appendaged supply systems in the civilian agencies. A similar relationship exists in the National Archives and Records Service in the field of records management. In this respect, the Administration is both an operating and control

[3] A complete statement of the functions performed by the Administration appears in the appendix as exhibit 1.

[4] See report on Office of General Services—Supply Activities, and related task force reports. Commission on Organization of the Executive Branch of the Government, February 1949.

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agency. The combined task that confronts GSA is so great that it has had difficulty in determining the points at which emphasis is most urgent.

INTERNAL RELATIONSHIPS

Quite properly the first effort of the General Services Administration has been to "put its own house in order." This is not a simple task, for the Public Buildings and Federal Supply Services, containing 94 percent of the total employees, are not new organizations. They operated within the Federal Works Agency and the Treasury Department, respectively, for a number of years prior to their transfer to GSA. Due to the nature of their separate program functions they had enjoyed a high degree of autonomy. In some respects they were not favorably inclined toward the reorganization. Differences, both personal and organizational, that accompanied the consolidation characterized the early months of the new agency. Without attempting to appraise the conflicting points of view it is apparent that these differences have retarded the progress of the Administration's program.

INTEGRATION OF STAFF FUNCTIONS

One of the most significant steps in modeling the new agency is the manner in which the several staff functions have been integrated. Prior to the GSA each of its component services had independent staff operations. Immediately after the consolidation the Administrator found that he had several groups dealing with personnel, fiscal, and management functions in the Services. An early management study indicated the advisability of centralization and integration of these functions at the top of the Administration. All principal staff services have been brought together in the Administrator's Office with the results reflected in the following Table 1, Reduction in Employment in Consolidated Administrative Functions from July 1, 1949, to November 11, 1950:

TABLE 1.—*Reduction in employment in consolidated administrative functions from July 1, 1949, to Nov. 11, 1950*

Office and division	Employment		Net change	
	July 11, 1949	Nov. 11, 1950	Increase	Decrease
Office of Management:				
Director's office	7	6		1
Planning and Research Division	4	9	5	
Organization and Methods Division	24	31	7	
Personnel Division	163	103		60
Statistics and Reports Division	3	11	8	
Service and Supply Division	341	273		68
Net total, Office of Management	542	433		109
Office of the Comptroller:				
Comptroller's office	5	4		1
Liquidation Division	177	59		118
Budget Division	44	46	2	
Internal Audit Division	35	43	8	
Accounts Systems Division	7	22	15	
Credit and Finance Division	7	9	2	
Accounts and Reports Division	442	380		62
Net total, Office of Comptroller	717	563		154
Net total	1,259	996		263

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More important is the fact that this centralization and integration of the top staff provides the Administrator with a closely knit team of Administration-minded executives to carry out the over-all program of the agency.

If the Administration does not ultimately succeed in its mission it will not be for want of capable staff assistance. Task force teams composed of well-qualified representatives of these staff offices have conducted several studies of internal operations within the Administration and its constituent services. While more than one study has been devoted to the review of the organization and operations within the Federal Supply and Records Services, too little attention has been given to similar problems in the Public Buildings Service which contains 86.3 percent of the total employment in the Administration.

STAFF SERVICES

In this part, the subcommittee continued its examination of four representative staff services in the General Services Administration. Comment on each one of them is presented under the following headings: "Personnel management"; "Fiscal management"; "Procurement"; and "Management improvement."

PERSONNEL MANAGEMENT

The personnel management program for employees of the GSA is centralized in the Personnel Division, Office of Management. This single office supersedes the separate personnel offices formerly maintained in the constituent services. As heretofore mentioned, this consolidation has made it possible to reduce the number of personnel workers in the headquarters. Table 2 shows that this office maintains a ratio of one personnel worker for 128 of the 12,767 employees handled in the central office. The ratio for the entire Administration is one personnel worker for 151 total employees. Table 3 shows that there are 176 personnel workers in the Administration with an average annual salary of $4,381.

TABLE 2.—*Ratio of personnel employees to total employees in the Washington, D. C., metropolitan area and regions, as of Nov. 11, 1950*

Organizational unit	As of Nov. 11, 1950		
	Total employment	Personnel employees	Ratio of personnel to total employment
Office of Management:			
Personnel Division	12,767	100	1:128
Region I. Boston	754	4	1:188
II. New York	4,562	21	1:217
IV. Atlanta	908	8	1:113
V. Chicago	2,017	7	1:288
VI. Kansas City	1,047	6	1:174
VII. Dallas	1,255	7	1:179
VIII. Denver	707	4	1:177
IX. San Francisco	1,474	10	1:147
X. Seattle	645	6	1:107
Total	26,136	173	1:151

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TABLE 3.—*Estimated costs of personnel services and average annual salary of personnel employees in the General Services Administration for fiscal year 1951*

Organizational unit	Number of employees	As of Nov. 11, 1950	
		Annual salary costs	Average annual salary
Office of Management:			
Personnel Division	100	$446,925	$4,469
Regional Offices	73	306,405	4,197
Health Services	1	4,325	4,325
Safety and Industrial Relations	2	13,400	6,700
Total	176	771,055	4,381

TABLE 4.—*Tabulation of personnel activities in the Washington metropolitan area during first quarter, fiscal year 1951*

GS or corresponding grade	Rate of turn-over	Number of—		GS or corresponding grade	Rate of turn-over	Number of—	
		Separations	Accessions			Separations	Accessions
11				6	14.5	44	12
10	20.2	16	16	5	12.2	140	116
12	13.0	20	12	4	14.2	248	96
13	5.3	12	24	3	30.3	280	272
14	11.8	40	64	2	16.5	472	180
15	177.7	16	0	1	13.0	492	412
9	18.3	48	28				
8	8.2	8	0	Total or average [1]	15.3	1,900	1,300
7	15.9	64	68				

[1] Data submitted on a 3-month period are projected on a yearly basis.

Decentralization.—In contrast to personnel programs surveyed in other agencies, the GSA plan emphasizes the delegation of authority to regional offices rather than to component services. Accordingly, personnel offices in the regions are authorized to make all personnel actions in the crafts, protective and custodial service (CPC schedule), and up to grade GS-14 in the general classification schedule.

Personnel records.—Data on employment were not readily available during our survey in the central office due to the backlog of personnel actions attending the reassignment of personnel within the Administration. A major job of reclassification and reassignment of personnel confronts the Personnel Division, the completion of which should point out worth-while savings in the reduction in total employment. If this program can be made to parallel the consolidation and integration of functions throughout the operating elements of the Administration and its services, a considerable reduction can be effected.

Employee turn-over.—Table 4 indicates that the annual rate of turn-over in the GSA headquarters offices was 15.3 percent for the period of July–September 1950.

FISCAL MANAGEMENT

The control of the fiscal affairs of the General Services Administration is centralized in the Office of the Comptroller. This office operates with clear and complete delegation of responsibilities and authorities from the Administrator. Its organization is along functional lines, with subsequent delegation of authority by the Comptroller to his six division chiefs.

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The Division responsibilities consist of budget, accounting, audit, and accounting systems, plus two additional ones, credit and liquidation. These latter functions are more or less peculiar to this agency. Responsibilities delegated to comptrollers in the regional offices are limited to budget, accounting, and credit operations.

Authority has been delegated to the 10 regional comptrollers for the independent management of the fiscal affairs in each region. Policy, procedures, and methods are established, installed, and enforced by the central office. The Washington office exercises only general supervisory control over regional operations and keeps the general ledger accounts for the entire agency. Periodic reports from the regions and an audit of their accounts serve to keep regional operations in line with policies and limitations prescribed by the Administrator.

The process of bringing together the formerly independent fiscal operations of the various services has not been completed. It will be some time in 1951 before the actual operation and assignment of personnel in fiscal management will conform to the over-all plan. As a result, there is some confusion and uncertainty of responsibility and authority at the lower levels of the organization.

Table 5, Employees engaged in fiscal management activities, indicates a high proportion of fiscal management personnel in the agency. This ratio should be improved when plans for consolidation are accomplished.

The Office of the Comptroller has full authority to exercise an effective control over all staffing requirements of the agency. This authority has not been exercised to any great extent. It is contemplated that effective staffing and classification controls could be placed in effect soon after January 1951.

TABLE 5.—*Personnel engaged in fiscal management activities as of Nov. 11, 1950*

Area	Number engaged in—				Total
	Budget	Accounting	Voucher examination	Payroll	
Washington Office	46	86	33	16	181
Field	12	333	76	132	553
Total	58	419	109	148	734
Ratio to total personnel	1:459	1:62	1:177	1:240	1:36

PROCUREMENT

In the belief that great savings can be realized, in both manpower and dollars from improvement in procurement activities, the subcommittee pursued its inquiry into this activity within the General Services Administration. In contrast to the other agencies surveyed it was found that this function is centralized in the Administration's Office of Management. Although some items are procured separately in the services, most of the purchase orders for items required by the Administration are processed through the central Division of Services and Supply.

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TABLE 6.—*General Services Administration procurement operations in Washington metropolitan area, July 1 through Sept. 30, 1950* [1]

Activity	Amount
Procurement actions, requisitions, and intra-agency work orders:	
(a) Number issued	3,474
(b) Number totaling less than $20	987
(c) Total dollars volume of all actions	$3,569,034
Employees engaged in procurement and requisitioning operations:	
(a) Number of workers	31
(b) Total cost for personal services and related expenditures	$26,310
(c) Average cost per order	7.57
(d) Daily average workload	1.8
(e) Average annual salary	$3,395

[1] Excludes strategic and critical materials stockpile program and operations charged to general supply fund.

Table 6 shows that, in the first 3 months of the current fiscal year, 28 percent of the 3,474 purchase orders issued were for amounts totaling less than $20. The average cost of issuing each order was $7.57. The average workload for the 31 employees engaged in this work was only 1.8 orders per day. Their average annual salary is $3,395. It should be noted that this cost data pertains only to the processing of orders to meet the internal needs of the Administration. It does not include orders processed in the strategic and critical materials stockpile program or orders processed for other agencies. The average cost of these orders is even more costly.

Government-wide procurement.—In view of the high cost of procurement activities revealed in previous parts of this report, the subcommittee requested additional data on the cost of processing orders of other Government agencies through the facilities of the Federal Supply Service.

Table 11 of part III (on p. 87) of this report revealed that the estimated average cost of buying $10 worth of lumber directly from the "Y Lumber Co." was $25.38. GSA reports that the average cost of supplying this item through the Federal Supply Service would be $11.77. So if the $10 worth of lumber had been secured through the facilities of GSA the total Government cost would be $25.38 plus $11.77, or $37.15. The total cost of procuring $10 worth of lumber through Government-owned facilities would be more than 3½ times its original selling price.

The data showing the number, dollar volume, and costs of sales to other Government agencies through the Federal Supply Service during fiscal year 1950 are presented in table 7 which follows:

TABLE 7

	Number	Dollar value
Federal Supply Service sales:		
From stores	282,559	$25,546,000
Direct delivery	36,425	47,533,407
Total	318,984	73,079,407
Cost: [1]		
Performance cost of purchasing: Inspection, sampling and testing, storage, and issue	$3,755,126	
Average cost per sale	11.77	

[1] Does not include costs of $259,421 incurred for making Federal Supply Schedule term contracts for Government-wide use. Purchases by Federal agencies under these contracts during fiscal year 1950 are estimated at $100,000,000.

The figures shown do not include activity supervision, service administration, or accounting costs.

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Field purchase order-invoice.—The subcommittee instructed the members of its staff to make full inquiry in the General Services Administration to determine if they had developed a remedy for the large number of people required to process purchase orders in the agencies. It was found that officials of the Federal Supply Service and later GSA had intermittently worked on a combination field purchase order and vendor's invoice form since April 1949.

At that time officials of the Federal Supply Service had formed a voluntary committee composed of representatives of interested agencies to devise and seek the adoption of a short form by which many small purchases could be consummated on the spot—in order to cut the red tape and reduce the overhead costs of thousands of small purchases. Although the plan appears to have developed to the point where it could have been adopted many months ago, the subcommittee found that it had reposed in one of the GSA staff offices since April 1950.

The subcommittee does not infer that this inaction is typical of the top staff of the GSA, but it does wish to emphasize that unless responsibility for the prosecution and completion of projects of this nature are fixed and enforced they will drag on indefinitely with the costs of unforgivable waste mounting daily.

MANAGEMENT IMPROVEMENT

Management-improvement activities in the General Services Administration appear to be above the average found in other agencies. In the relatively short time since its inception the management-improvement group has developed volumes of material, the adoption of which would contribute substantially to the betterment of the Administration's program. However, the services are slow to adopt them and even slower in carrying out the improvements they suggest.

Table 8 shows the annual cost and number of employees working in management improvement during the current fiscal year, 1951.

TABLE 8.—*Estimated performance cost, fiscal year 1951*

	Department	Field	Total
Man-years	7.5	[1] 3	10.5
Personal services cost	$45,750	$18,317	$64,067
Travel	3,600	864	4,464
Other objects	1,533	753	2,286
Total cost	50,883	19,934	70,817

[1] Individuals devoting a portion of their time to management-improvement work.

RECOMMENDATIONS

In view of the circumstances described in this report, the subcommittee makes the following recommendations which it believes necessary to improve the over-all management and utilization of personnel in the General Services Administration.

The Administrator of the General Services Administration should give consideration to—

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1. Continued consolidation and integration of the activities of the Records, Public Buildings, and Federal Supply Services, particularly at the operating levels.

2. Acceleration of improvement leading to greater efficiency and economy in the procurement and supply functions that affect related activities in the agencies of the executive branch of the Government.

3. Conduct a comprehensive management study of the Public Buildings Service comparable to those recently made in the Federal Supply and Records Services as a basis for further improvement in the related programs of all three services.

Additional recommendations pertaining to the General Services Administration will be included in subsequent reports of the subcommittee.

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APPENDIX

EXHIBIT I

SUMMARY OF FUNCTIONS PERFORMED BY THE GENERAL SERVICES ADMINISTRATION

The General Services Administration was established by Public Law 152, Eighty-first Congress, effective July 1, 1949, to provide for the Government an economical and efficient system for (*a*) the procurement and supply of personal property and nonpersonal services, including related functions such as contracting, inspection, storage, issue, specifications, property identification and classification, transportation and traffic management, management of public-utility services, repairing and converting, establishment of inventory levels, establishment of forms and procedures, and representation before Federal and State regulatory bodies; (*b*) the utilization and management of available property; (*c*) the disposal of surplus property; (*d*) records management; and (*e*) certain public works and construction service activities.

This act transferred to the Administrator of General Services the functions of the Federal Works Agency and all agencies thereof (including the Bureau of Community Facilities), together with the functions of the Federal Works Administrator, of the Commissioner of Public Buildings, and of the Commissioner of Public Roads. It abolished the Federal Works Agency, the Public Buildings Administration, the Office of Federal Works Administrator, the Office of Commissioner of Public Buildings, and the Office of Assistant Federal Works Administrator. The act also transferred to the General Services Administration the Public Roads Administration, which was thereafter transferred to the Department of Commerce by Reorganization Plan No. 7 of 1949, effective August 20, 1949.

Public Law 152 transferred to the General Services Administration for liquidation the functions of the War Assets Administration and abolished the War Assets Administration, the Office of the War Assets Administrator, and the Office of the Associate War Assets Administrator.

The functions of the Bureau of Federal Supply, the Director of the Bureau, the personnel of the Bureau, and of the Secretary of the Treasury relating to the Bureau were also transferred to the Administrator of General Services by Public Law 152, which abolished the Bureau of Federal Supply and the Office of the Director of the Bureau.

Public Law 152 transferred to the Administrator of General Services the functions of the Director of Contract Settlement and of the Office of Contract Settlement, which had been transferred to the Secretary of the Treasury by Reorganization Plan No. 1 of 1947.

The act also transferred the National Archives Establishment and its functions to the General Services Administration. It transferred to the Administrator the functions of the Archivist of the United States, except for his service as member or chairman of several boards, and it transferred the functions of the Director of the Division of the Federal Register to the Administrator. It further provided that, hereafter, the Administrator of General Services shall appoint the Archivist of the United States, who shall continue to serve as chairman or member on the National Archives Council, the National Historical Publications Commission, the National Archives Trust Fund Board, the Board of Trustees of the Franklin D. Roosevelt Library, and the Administrative Committee of the Federal Register.

An integrated organization pattern for the Central Office of the General Services Administration was established in December 1949. Under this pattern all of the program functions and operations except the residual functions of the former War Assets Administration were assigned to four major services: the Public Buildings Service, the Federal Supply Service, the National Archives and Records Service, and the Community Facilities Service. All of the staff functions and operations of the Administration were consolidated into four staff offices: the

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Office of General Counsel, Office of Comptroller, Office of Management, and the Office of Public Information and Reports. The Office of Contract Settlement continued as an independent organizational element reporting directly to the Administrator. A Liquidation Service was established on January 1, 1950, to complete the liquidation of the affairs of the former War Assets Administration. This service was abolished on June 30, 1950, and all residual real property disposal functions were assigned to the Public Buildings Service.

Reorganization Plans 15, 16, and 17 of 1950, effective May 24, 1950, transferred Community Facilities functions to the Department of Interior (Alaska and Virgin Islands public works), to the Federal Security Agency (aid to public school districts and water-pollution control), and to the Housing and Home Finance Agency (advance planning of public works). With the transfer of these functions, the Community Facilities Service was abolished on June 30, 1950.

Reorganization Plan 18 of 1950, effective July 1, 1950, transferred to the Administrator of General Services the functions of the various Federal agencies with respect to leasing and assigning general-purpose space in buildings and the operation, maintenance, and custody of office buildings. This transfer effects an expansion of authorities (outside of the District of Columbia) already concentrated in the General Services Administration by Public Law 152.

Reorganization Plan 20 of 1950, effective May 24, 1950, transferred from the Department of State to the Administrator of General Services functions pertaining to the preservation and publication of laws, the preparation and publication of the Statutes at Large, the certification and publication of constitutional amendments, the receipt and preservation of certificates of presidential electors and of electoral votes, and the compilation and publication of The Territorial Papers of the United States.

On August 31, 1950, the organization of the Central Office was expanded by the establishment of an Emergency Procurement Service to administer an expanding program relating to the procurement and stockpiling of strategic and critical materials. These functions were formerly assigned to a division of the Federal Supply Service.

On September 5, 1950, the Congress considerably strengthened the authority of the Administrator of General Services under Public Law 152 through amendment of that law, enacted as Public Law 754. The new law extended responsibilities with respect to real property management to permit additional control over the maintenance, security, repair and renovation of buildings, and provision of utility services. Title V of the law, identified as the Federal Records Act of 1950, established the authority of the Administrator of General Services on a Nation-wide basis with respect to records management activities. He was empowered to bring about improvement of standards, procedures and techniques with respect to the creation of records, the maintenance of current records, and the disposal of records no longer needed for current operations. It specifically authorized the Administrator to establish and operate records centers.

An important provision of the law affecting the management of personal property was authorization for the elimination of the surcharge on sales to Federal agencies financed under the general supply fund. Thereafter a direct appropriation should take care of most of the expenses incurred in supplying the needs of Government agencies. Another provision authorized the Administrator to charge vendors' and producers' fees for testing their products. This will afford small business a better opportunity to have its products considered for purchase by the Government.

Additional powers to assist in the expansion of the Nation's productive capacity were assigned to this agency in the Executive order delegating functions under the Defense Production Act of 1950, Public Law 774, approved September 8, 1950. Under this order, the General Services Administration was given responsibility with respect to (1) installing additional equipment, processes or improvements in industrial facilities owned by the United States, and installing Government-owned equipment in privately owned industrial establishments; (2) purchasing metals, minerals, and other materials for Government use or resale (this responsibility is over and above that for purchase of strategic and critical materials now being carried out under other authority; (3) guaranteeing loans to contractors, subcontractors, and others when necessary to expedite production, deliveries, or services; and (4) disposing of real or personal property acquired under the act when it is determined that such property is no longer needed for defense.

A related responsibility, assigned to this Administration by the President in July 1950, was that of reducing the total Government demand for supplies and materials in competition with those needed for national defense. In partial fulfillment of this responsibility, a regulation was issued concerning the conservation of critical materials and limitation of stock inventories. Among other things, the

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regulation prescribes inventory standards for various classes of supplies and materials and replacement standards for selected classes of equipment using critical materials.

Effective October 1, 1950, 10 regional offices of the General Services Administration were activated and acting regional directors appointed. The organization pattern established for each regional office provides for completely integrated operations and parallels the pattern established for the central office. As rapidly as possible, operating authorities and responsibilities are being decentralized to these offices. In the future, all operations, with the exception of several special activities, will be conducted by the field offices. When the decentralization is completed, the central office will be the policy-making and coordinating office and the regional offices, the operating offices of the Administration.

Following are statements concerning the functions and organizations of the General Services Administration.

CONTRACT SETTLEMENT

Section 102 (b) of Public Law 152, Eighty-first Congress, transfers to the Administrator of General Services, effective July 1, 1949, those functions of the Director of Contract Settlement and the Office of Contract Settlement which were transferred to the Secretary of the Treasury by Reorganization Plan No. 1 of 1947.

The functions of contract settlement were established by the Contract Settlement Act of 1944 (58 Stat. 649; U. S. C., Supp. 101, et seq.), to provide for uniform and efficient administration in the settlement of claims arising from terminated war contracts.

The Contracts Settlement Act regulates the settlement of terminated contracts with the Government. Among the subjects dealt with by the act are the principles governing the determinations of fair compensation for the termination of contracts, the prompt clearance from contractors' plants of property connected with terminated contracts, the financing of contractors during the period between the termination of their contracts and their final settlement, and defective, informal, and quasi contracts.

PUBLIC BUILDINGS SERVICE

Section 103 (a) of Public Law 152, Eighty-first Congress, transferred to the Administrator of General Services the functions of the Public Buildings Administration and the Commissioner of Public Buildings, effective July 1, 1949. These functions have been organized as the Public Buildings Service of the General Services Administration.

The Public Buildings Service was established as the Public Buildings Administration in the Federal Works Agency by Reorganization Plan No. 1, section 303, under the provisions of the Reorganization Act of 1939, approved April 3, 1939. It is authorized to design and construct any type of Federal building, either by direct appropriation or by reimbursement from appropriations made to other agencies. It operates, maintains, and protects buildings under its jurisdiction throughout the United States, and assigns or regulates assignment of office space therein or in leased quarters; acquires sites for Federal buildings to be constructed under its jurisdiction; promotes the maximum utilization of excess real property by executive agencies; and disposes of real property surplus to the needs of the Government. It maintains in recoverable operative or in stand-by status a reserve of industrial plants, equipment, and machine tools as designated by the Secretary of Defense to form a nucleus of productive capacity to meet immediate military needs in event of or anticipation of a national emergency, in accordance with Public Law 883, Eightieth Congress.

Public Law 754, Eighty-first Congress, amending Public Law 152, extended responsibilities assigned to the Public Buildings Service to permit additional control over the maintenance, security, repair and renovation of buildings, and provision of utility services.

Reorganization Plan 18 of 1950, effective July 1, 1950, had the effect of expanding authorities of the Public Buildings Service (outside of the District of Columbia) with respect to leasing and assigning general-purpose space in buildings and the operation, maintenance, and custody of office buildings.

Public Law 774, Eighty-first Congress, as implemented by Executive Order No. 10161, dated September 9, 1950, had the effect of assigning responsibility to the Public Buildings Service for installing additional equipment, processes, or improvements in industrial facilities owned by the United States, and installing Government-owned equipment in privately owned industrial establishments, and for disposing of real or personal property acquired under the act when it is determined that such property is no longer needed for defense.

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FEDERAL SUPPLY SERVICE

Section 102 (a) of Public Law 152, Eighty-first Congress, transferred to the Administrator of General Services the functions of the Bureau of Federal Supply of the Department of the Treasury, as well as the related functions of the Secretary of the Treasury, the Director of the Bureau of Federal Supply and Bureau personnel. These functions have been organized as the Federal Supply Service of the General Services Administration.

The Federal Supply Service was created as the Procurement Division in the Department of the Treasury pursuant to Executive Order No. 6166, dated June 10, 1933, as authorized by section 16 of the act of March 3, 1933 (47 Stat. 1517). Its primary function related to supply management activities for the executive agencies of the Government. For this purpose it is authorized to operate supply centers, purchase and issue supplies, utilize excess personal property by transfer among Federal agencies, and dispose of surplus personal property not required by the Government.

In performing these tasks, the Federal Supply Service is also authorized to develop a uniform Federal Supply Catalog system, to standardize descriptions of supply items, and to develop standard contract and other suitable forms and standard purchase specifications. In transportation service matters, it is authorized to represent the executive agencies in negotiations with carriers. On request, it may provide service for legislative and judicial agencies of the Government and certain non-Federal agencies. It also controls the disposition of personal property seized and forfeited or abandoned to the Government.

Public Law 754, Eighty-first Congress, amending Public Law 152, authorizes the elimination of the surcharge on sales to Federal agencies financed under the general supply fund. Thereafter, a direct appropriation should take care of most of the expenses incurred in supplying the needs of Government agencies. The Federal Supply Service now has the authority to charge vendors and producers fees for testing their products.

EMERGENCY PROCUREMENT SERVICE

Section 102 (a) of Public Law 152, Eighty-first Congress, transferred to the Administrator of General Services the functions of the Bureau of Federal Supply of the Department of the Treasury, as well as the related functions of the Secretary of the Treasury, the Director of the Bureau of Federal Supply and Bureau personnel. That portion of these functions, which were authorized by the Strategic and Critical Materials Stockpiling Act, approved July 23, 1946 (60 Stat. 596; 50 U. S. C. 98–98h), have been organized as the Emergency Procurement Service of the General Services Administration, effective September 1, 1950.

The Emergency Procurement Service is authorized to plan, develop, and administer all programs of the General Services Administration relating to purchase, storage, transportation, and research and development studies of the strategic and critical materials program, the ECA purchase program, and other emergency program items, and to direct these programs in all foreign offices of the General Services Administration. It also maintains liaison with the Munitions Board and other departments and agencies, representatives of foreign governments, and industry, with respect to matters relating to the programs of this service.

Public Law 774, Eighty-first Congress, as implemented by Executive Order No. 10161, dated September 9, 1950, had the effect of assigning responsibility to the Emergency Procurement Service for purchasing metals, minerals, and other materials for Government use or resale. (This responsibility is over and above that for purchase of strategic and critical materials carried out under the Strategic and Critical Materials Stockpiling Act.)

NATIONAL ARCHIVES AND RECORDS SERVICE

Section 104 of Public Law 152, Eighty-first Congress, transferred the National Archives Establishment to the General Services Administration, effective July 1, 1949. These functions have been organized as the National Archives and Records Service of the General Services Administration.

The National Archives and Records Service was originally created as the National Archives of the United States by act of Congress, approved June 19, 1934 (48 Stat. 1122–1124), whose duties and functions have been redefined by the Federal Records Act of 1950 (title V, Public Law 754, 81st Cong.). The Federal Register Division of the National Archives and Records Service was created by separate act of Congress, approved July 26, 1935 (49 Stat. 500–503).

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It is responsible for the efficient management of Government records; the preservation of permanently valuable records; the disposal of records of temporary usefulness; and the publication of the Federal Register, the Code of Federal Regulations, and the United States Government Organization Manual.

Reorganization Plan 20 of 1950, effective May 24, 1950, has led to the assignment to the National Archives and Records Service of responsibilities formerly belonging to the State Department pertaining to the preservation and publication of laws, the preparation and publication of the Statutes at Large, the certification and publication of constitutional amendments, the receipt and preservation of certificates of presidential electors and of electoral votes, and the compilation and publication of The Territorial Papers of the United States.

Public Law 754, Eighty-first Congress, amending Public Law 152, has led to the establishment of the authority of the National Archives and Records Service over the management of Federal records on a Nation-wide basis. It is now empowered to bring about improvement of standards, procedures, and techniques with respect to the creation of records, the maintenance of current records, and the disposal of records no longer needed for current operations. It is also now authorized to establish and operate records centers.

The following bodies were also transferred to the General Services Administration by Public Law 152, Eighty-first Congress, together with their respective functions and such funds as are derived from Federal sources:

FEDERAL RECORDS COUNCIL

The Federal Records Council was established by section 504 of the Federal Records Act of 1950 (title V, Public Law 754, 81st Cong.) which provided that the Administrator of General Services shall establish a Federal Records Council, and shall advise and consult with the Council with a view to obtaining its advice and assistance in carrying out the purposes of title V. The Council shall elect a chairman from among its own membership, and shall meet at least once annually.

NATIONAL HISTORICAL PUBLICATIONS COMMISSION

The National Historical Publications Commission was created by the National Archives Act (48 Stat. 1122–1124) and its duties and functions redefined by section 503 of the Federal Records Act of 1950 (title V, Public Law 754, 81st Cong.). The duties of the Commission are to "make plans, estimates, and recommendations for such historical works and collections of sources as it deems appropriate for printing or otherwise recording at the public expense. The Commission shall also cooperate with and encourage appropriate Federal, State, and local agencies and nongovernmental institutions, societies, and individuals in collecting and preserving, and, when it deems such action to be desirable, in editing and publishing the papers of outstanding citizens of the United States and such other documents as may be important for an understanding and appreciation of the history of the United States. The Chairman of the Commission shall transmit to the Administrator from time to time, and at least once annually, such plans, estimates, and recommendations as have been approved by the Commission."

NATIONAL ARCHIVES TRUST FUND BOARD

The National Archives Trust Fund Board was created by an act of July 9, 1941 (55 Stat. 581), which authorizes the Board "to accept, receive, hold, and administer such gifts or bequests of money, securities, or other personal property, for the benefit of or in connection with the National Archives, its collections, or its services, as may be approved by the Board."

ADMINISTRATIVE COMMITTEE OF THE FEDERAL REGISTER

The permanent Administrative Committee of the Federal Register was established by section 6 of the Federal Register Act, approved July 26, 1935 (49 Stat. 501), which provides in part that "the committee shall prescribe, with the approval of the President, regulations for carrying out the provisions of this Act."

FRANKLIN D. ROOSEVELT LIBRARY

The Franklin D. Roosevelt Library was created by a joint resolution approved July 18, 1949 (53 Stat. 1062–1066), to preserve and administer collections of historical material donated to it by Franklin D. Roosevelt and such other material

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related to and contemporary with this material as may be acquired from other sources by gift, purchase, or loan. The administration of the Library is vested in the Archivist of the United States.

TRUSTEES OF THE FRANKLIN D. ROOSEVELT LIBRARY

A Board known as the Trustees of the Franklin D. Roosevelt Library was created by the joint resolution establishing the Library (53 Stat. 1062-1066), which authorizes the Board to "receive gifts and bequests of personal property and to hold and administer the same as trust funds for the benefit of the Franklin D. Roosevelt Library."

FEDERAL FIRE COUNCIL

The Federal Fire Council was established by Executive Order No. 7397 of June 20, 1936, as an official advisory group on the protection of Federal employees and property from fire. Executive Order No. 8194 of July 6, 1939, placed the Council under the jurisdiction of the Federal Works Agency. Public Law 152, Eighty-first Congress, transferred the functions of the Federal Works Agency to the Administrator of General Services, effective July 1, 1949.

The Council is authorized to develop standards, procedures, and forms; and, on request, to conduct surveys or such other investigations as may be necessary to determine what measures should be taken to safeguard life and property from the hazards of fire. The Council is also authorized to make such independent studies of Federal buildings and property as it may deem desirable from the standpoint of fire protection; to maintain a record of fire losses on Government property; and to review plans for new construction.

Reports and other informative material are distributed to the membership, to the heads of bureaus and establishments, and to other interested Federal, State, and city officials. A manual covering the general subject of fire loss prevention has been issued together with a fire report and self-inspection forms, the latter for use within departments and establishments in connection with inspections.

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81ST CONGRESS } HOUSE OF REPRESENTATIVES { REPT. 2457
2d Session } { Part VI

INVESTIGATION OF EMPLOYEE UTILIZATION IN THE EXECUTIVE DEPARTMENTS AND AGENCIES

JANUARY 1, 1951.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. WILLIAMS, from the Committee on Post Office and Civil Service, submitted the following

SUMMARY REPORT

[Pursuant to H. Res. 114, 81st Cong.]

PART VI

Pursuant to House Resolution 114, Eighty-first Congress, approved May 2, 1949, the Committee on Post Office and Civil Service appointed a subcommittee to investigate overstaffing in the executive departments and agencies. The subcommittee conducted a survey of several agencies, the purpose of which was—

(1) To explore and evaluate the utilization of personnel;

(2) To appraise the effectiveness of existing agency management facilities in employee utilization;

(3) To ascertain and identify some of the causes and effects of overstaffing; and

(4) To suggest remedial action necessary to correct overstaffing in the executive departments and agencies.

INTRODUCTION

The survey is based on investigations conducted in the Treasury, Interior, and Labor Departments, the Federal Security Agency, and the General Services Administration. Preliminary reports on each of these agencies have been made separately.[1] In addition, it includes data submitted by the following agencies: Department of Agriculture, Department of Commerce, Department of Justice, Department of State, and Veterans' Administration.

This report summarizes the findings and recommendations of the previous preliminary reports. It covers the employment of 238,280 Federal workers for which the salary expenditure in fiscal year 1950

[1] H. Rept. 2457, 81st Cong., 2d sess., Pt. I—Federal Security Agency; Pt. II—Prices and Cost of Living Division, Department of Labor; Pt. III—Treasury Department; Pt. IV—Interior Department; Pt. V—General Services Administration.

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vas approximately $770,478,891. On June 30, 1950, there were ,966,444 civilian employees in the executive branch of the Government for which the aggregate annual cost for salaries and wages was 5.7 billion dollars. This figure represents nearly 16 percent of the otal annual budget.

From the outset the Subcommittee on Overstaffing did not presume hat every part of the executive organization was overstaffed. It hose to devote its attention and resources to achieve the above-stated bjectives of the survey. In this there has been no attempt to innovate magic formula for the reduction of employment. Instead the ubcommittee has made every effort to evaluate and appraise the tilization of existing personnel against principles of good business ractice and accepted standards of departmental management. Administrative policies and procedures were examined in the light f proven practices.

The most distinguishing aspect of the survey has been the fine anner in which it was received by the Federal workers. With only inor exceptions every employee encountered gave wholehearted ooperation to the endeavor. In many instances this entailed the ubmission of self-damaging information in spite of the possibility f reprisal. The subcommittee wishes to acknowledge and express its incere appreciation for this assistance. It has not only increased he accuracy of these reports but it has also enhanced the subcommittee's belief that the vast majority of thoughtful Federal employees re increasingly anxious to support any effort which holds promise f improvement.

For the most part the survey placed particular emphasis on the dministrative management in the nondefense agencies. This ctivity is common to most of the agencies and comparable data ertaining to it can usually be secured. Measurable standards eveloped in the fields of personnel, fiscal, and property management ield indexes by which the quality of administration can be determined.

Further, the subcommittee believes that a direct relationship exists etween the quality of administrative management and the more pecialized properties contained in the program activities of the gencies. It therefore suggests that the findings and conclusions f this report reflect upon the over-all conduct of the executive epartments and agencies.

In reviewing the data contained in the five previous parts of this eport the subcommittee is aware that many of the conclusions and ecommendations developed herein may appear to be trite and devoid f originality. That is an intended and purposeful characteristic of he study—to test prevailing practices to determine the extent f conformance to established principles. In that sense they bear epeating.

General Findings

1. THE UTILIZATION OF PERSONNEL IN EXECUTIVE AGENCIES

The subcommittee finds that, in general, executive agencies could o a better job with fewer employees. In many respects they have ot fully recovered from the ill effects of the World War II period. Elaborate staffing requirements still persist. Work habits are relaxed rom the all-out effort which formerly prevailed.

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Although some new nondefense activities have been added to the normal prewar workload they are not sufficient to take up the slack. Functional duties have not been altered in conformance with postwar conditions. Improved methods and labor-saving techniques have not been placed in general practice. Reorganization to eliminate duplicate and overlapping activities has not been completed. Overhead administrative costs have increased sharply. The retrenchment from a peak period of wartime employment has not been fully carried out. The cost consciousness which prevailed in the prewar period has not been restored. The full capacity and myriad talents of the Federal work force are not properly utilized.

II. THE ROLE OF MANAGEMENT IN EMPLOYEE UTILIZATION

It is universally agreed that agency management holds the key to optimum employee utilization. Although the management of a large Government enterprise presents many complex problems, most of them center upon the expenditure of funds and/or the assignment of people. The goal of management would appear to be the optimum use of these resources—monetary and human—within fixed maximum limits of dollars and employees.

With that in mind the subcommittee examined the management facilities in each agency to determine their effectiveness in attaining this goal. A search was made throughout the personnel and fiscal activities to discover the point, or points, at which the use of personnel and the expenditure of funds are controlled. The survey revealed that little or no control is exercised from within to enforce economies. In the administrative field, some effort has been made to develop staffing standards from which reasonable personnel requirements could be ascertained but they are not always enforced. In the program activities of the agencies, where by far the greatest proportion of funds is expended, workload standards are almost nonexistent. The only notable exceptions to this condition were confined to those agencies where program activities are readily adapted to machine methods. Except in these mechanized operations, no one knows how many people are required to carry on particular program responsibilities. Present practices seem to represent the fulfillment of the best unchallenged estimate. Additions can always be justified on the basis of "new and enlarged duties and responsibilities."

In general, the personnel and fiscal management groups are numerically more than adequate to provide data with which top management could obtain better use of employees. Within their present sphere of operations they could provide the means for significant economies for they almost invariably know where economies can be made. Personnel officers are reluctant to assume this role in favor of somewhat loftier objectives. This, in spite of the fact that, in the larger agencies staff personnel is retained to conduct "employee utilization surveys" and "continuing classification studies looking toward better employee utilization."

Budget offices are best equipped to function as a source of economy in the expenditure of funds and the control of employment. They could be the focal point for this kind of staff assistance. To the extent that they are permitted, several of them are potentially equipped to assist in the enforcement of minimum controls. Unofficially, some

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of the key budget officers confide that they would welcome the opportunity to reduce the budget requirements within their own agencies. Instead, they are obliged to bolster the justification for increased appropriation requests. Unfortunately, this kind of frustration was observed in all of the agencies surveyed.

The newly established management improvement activities hold fresh promise for some effective control over expenditures and staffing. They appear to be the one facility of top management that tends toward self-criticism. In agencies where they have the full support of the head of the agency they are making a sincere attempt to study, evaluate, and appraise agency organizations, policies, and procedures in an objective manner. A well-constituted management improvement staff in each of the agencies can be made very effective in the promotion of economy and efficiency in the handling of funds and personnel. Ironically, the agencies that have the greatest need for improvement have not cooperated with this program.

The subcommittee does not agree with the oft-repeated allegation that the heads of departments and agencies need more staff assistance. On the contrary, the subcommittee believes that the facts contained in this report repudiate that allegation. Existing staff assistance is more than adequate to provide the tools for good management. In most cases, however, it is rendered impotent by lack of sustained authority from the head of the agency.

III. SOME CAUSES AND EFFECTS OF OVERSTAFFING

The subcommittee finds that although there are many circumstances which contribute to overstaffing in the executive agencies, most of them can be traced to three basic prerequisites upon which proper employee utilization depends. They are:

A. A good organization structure for the department;

B. A clear delineation of authority and province within the department; and

C. A strong central control over the expenditure of funds by the department.

1. *Organization*

As previously cited, this survey included three kinds of executive organizations—(1) an agency, (2) an administration, and (3) two departments. From an over-all standpoint the quality of administration among them varies little. With few exceptions they are "overorganized." However, Government officials are becoming increasingly aware of the effects of obsolescent or faulty organization. Evidence of this trend may be found in both the Department of the Interior and the General Services Administration. The top structure of these agencies has been reconstructed along functional lines. Present emphasis on the new performance-type budget will strengthen this tendency. Continuing evaluation of existing organization structures is a vital factor in good personnel utilization.

Bureau organizations should be given more attention for they are separated into almost endless divisions, branches, sections, units, etc. The pattern for an increasing number of organizational elements proceeds down through the many layers of administration. Figure 1 of part II on page 51 illustrates an organization chart of the Prices and Cost of Living Division, Department of Labor. This Division con-

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tains 5 branches composed of 10 sections. One of these, the Statistical Services Section, is in turn broken down into 3 units, 6 subunits, and 17 supervisory units. (See fig. 2, pt. II, p. 52.)

The General Services Administration reports that one of the divisions in the Federal Supply Service had been divided into 4 branches, 17 sections, 27 units, 24 subunits, 13 groups, and 1 "inquiry office." Some of these groups contained only one or two persons. These two examples are not isolated instances. At the operating level confused and unrealistic organization structures are the rule rather than the exception.

Doubtless this phenomenon is due to the prevailing desire to create supervisory positions with accompanying titles of "chief," "assistant to the chief," "assistant chief," etc. Very often this tendency takes the form of informal organization plans developed to meet temporary exigencies or to accomodate personalities within a branch or section. In some cases this sort of arrangement is put in force without the knowledge or consent of responsible officials. Under this kind of arrangement the span of supervision is limited to a ridiculously small area.

Generally the over-all job of an agency is broken down into such minute segments that it is difficult to determine the precise division of responsibility assigned to each part. When this condition continues unchecked, duplication and overlapping increases. The positions involved take on a high degree of specialization. Additional employees are requested to replace and round out the assistance for the "supervisors." As the size of a division increases, the director will soon find that he has need for his own staff services. He will request and attempt to justify the recruitment of a personnel officer, an administrative or office services officer to look after the division files, mail, mimeographing, and sundry duties. If the division's responsibilities can be made to assume the appearance and stature of a "program," the division director will ultimately obtain his own budget and accounting assistants. The addition of each of these staff services will bring additional working personnel into the division. In time, and under the guise of internal reorganization, the division may be raised to bureau or service status. At that time, it will be divided into several subsidiary divisions and the same processes will begin again. It is a vicious circle that breeds waste and inefficiency. It is a prime cause of overstaffing.

The foregoing description is not intended as a criticism of Government reorganization. On the contrary, the subcommittee believes that much improvement has already accrued from the adoption of recent reorganization plans, but the full benefit of reorganization plans cannot be realized from the transfer of bureaus among departments. The elimination of duplicating and overlapping activities, the appraisal of nonessential functions, and the economies and efficiencies that accrue from reorganization can only be gained by extending reorganization down through the operating elements of the agencies.

B. Delegation of authority.

Another significant contributor to overstaffing is the lack of clearly defined authority for action within the agencies. The orderly management of any large enterprise requires the delegation of authority to key individuals. In Government agencies there is a noticeable reluctance to delegate authority and an even greater hesitance to

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exercise it. In like manner, authority is diffused to such an extent that it is often difficult to discern the exact point at which responsibility lies.

This is especially true in matters of personnel utilization. Few Government officials welcome the responsibility or authority for decisions that will result in the withholding of funds or the reduction of personnel. As a result, internal action on the withholding of funds or the reduction of personnel is practically nonexistent within the agencies surveyed.

C. Centralized control

Except in specific instances cited in previous reports, the subcommittee finds that the trend toward greater expenditures and increased numbers of employees will continue unless it is checked by fixing responsibility in a strong central control over staffing requirements in each agency. This particular kind of authority should not be redelegated.

STAFF SERVICES

In this survey the subcommittee has not challenged the merits of the various programs carried on by the agencies. Principal emphasis has been placed on the full utilization of employees assigned to the administrative activities incident to those programs.

In order to obtain an index of the quality of personnel utilization in each of the agencies surveyed, the subcommittee requested that it be supplied with comparable data on four common staff services—personnel management, fiscal management, procurement, and management improvement. This section of the report represents a summary of that data.

PERSONNEL MANAGEMENT

The subcommittee finds that, in spite of the recent development of standards for the administration of personnel activities, they continue in a costly and variable manner.

Table 1 shows that the average cost of providing personnel services for each employee in four major agencies has increased 164 percent since 1940. Allowing for pay increments authorized by legislative action (51.2 percent) the net increase amounts to more than 112 percent. Per capita costs vary from an average of $29.50 in the General Services Administration to $57.51 in the Federal Security Agency. The current average annual cost in the four agencies is $39.33 per employee.

TABLE 1.—*Average cost of personnel services per employee in selected agencies for fiscal years 1940 and 1950.*

Name of agency	1940 [1]	1950	Percent of increase
Federal Security Agency [2]	$11.60	$57.51	396
Department of the Treasury [3]	18.09	35.18	190
Department of the Interior [4]	13.88	40.19	94
General Services Administration	------	29.50	(5)
Average	15.42	39.33	164

[1] See Study of Personnel Offices in the Executive Departments and Agencies of the Government for basic data. (H. Rept. No. 1593, 80th Cong., 2d sess.)
[2] Does not include the Division of Commissioned Officers of the Public Health Service.
[3] Does not include military personnel in the U. S. Coast Guard.
[4] Does not include Office of Territories.
[5] Not in existence in 1940.

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Table 2 indicates that the ratio of personnel workers to total employment fluctuates from 1 in 68 in the Federal Security Agency to 1 in 151 in the General Services Administration. The four-agency average is 1 personnel worker for 105 employees.

The average annual salaries of personnel workers assigned similar duties in the four agencies are listed in table 12 on page 156. It should be noted that these salaries vary from a low of $3,790 in the Treasury Department to an average of $4,381 in the General Services Administration—a difference of $591 per year.

TABLE 2.—*Summary of ratio of personnel workers to total employees in selected agencies for fiscal year 1950*

Agency	Total number of employees serviced	Number of personnel workers	Employees per personnel worker
Federal Security Agency [1]	31,642	467	67.8
Department of the Treasury [2]	89,298	781	114.3
Department of the Interior [3]	60,144	551	109.2
General Services Administration [4]	26,136	173	151.1
Total or average	207,220	1,972	105.1

[1] Commissioned officers of the Public Health Service excluded.
[2] Commissioned officers of the U. S. Coast Guard excluded.
[3] Does not include Office of Territories.
[4] Based on employment for fiscal year 1951.

Additional discrepancies in the operation of personnel offices are revealed in tables 3 and 4 containing figures on the internal activities of these offices. Table 3 shows that during fiscal year 1950 nearly 85,000 recruitment interviews were conducted in selecting applicants for 12,595 jobs. A total of 84,326 man-hours of work was required to file the applications for these positions. According to the table, personnel in the Treasury Department interviewed an average of 10.7 applicants for each position filled. In the Federal Security Agency this ratio was only 2.9. The over-all average for the four agencies indicates that nearly seven applicants are interviewed for each job opportunity.

TABLE 3.—*Summary of number of employees, accessions, recruitment interviews, and comparison of certain personnel functions in selected agencies during fiscal year 1950* [1]

Agency	Average number of employees	Number of—			Man-hours required to file application
		Accessions	Recruitment interviews	Interviews per accession	
Federal Security Agency	18,667	3,828	11,207	2.9	14,185
Treasury Department	41,884	3,098	33,177	10.7	21,225
Interior Department	20,305	4,369	34,537	8.0	41,407
General Services Administration [2]	12,400	1,300	6,000	4.6	7,509
Total	93,256	12,595	84,921	6.7	84,326

[1] Agency data are shown in exhibit 1 in appendix.
[2] Based on first quarter of fiscal year 1951.

Table 4 shows the lack of uniformity in activities within the personnel offices. Here we find that an average of 52 percent of the time

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of the staff in the Treasury Department is devoted to "processing records and reports." This abnormally high average is due to the experience in the Bureau of Internal Revenue wherein it is reported that the personnel workers devote 73 percent of their time to this function. (See appendix exhibit 2, p. 160.)

TABLE 4.—*Summary of distribution of staffing requirements for personnel services in selected agencies for fiscal year 1950*

Distribution of activity staff	Percent of staff		
	Federal Security Agency	Department of the Treasury	Department of the Interior
Direction and administration	15.4	9.3	12.7
Employment, placement, and separation	21.1	12.2	20.7
Classification, job evaluation, and wage administration	16.3	10.7	13.9
Employee relations	6.0	6.3	4.0
Training	6.3	7.7	2.9
Committees and boards of examiners	5.0	1.5	3.9
Processing records and reports	29.4	52.1	33.1
Undistributed staff		.2	8.8
Total	100.0	100.0	100.0

NOTE.—G. S. A. information not available for fiscal year 1950. Agency and bureau data is shown in appendix exhibit 2.

There is lack of uniformity in the extent to which personnel operations have been decentralized. Figure 1 shows the grade distribution and the number of workers for which personnel actions are processed in the headquarters offices. Table 5 indicates the percent of the total persons serviced in the central offices.

TABLE 5.—*Number of persons serviced by the headquarters personnel offices in the 4 selected agencies, fiscal year 1950*

Agency	Total employment [1]	Employees serviced by headquarters personnel offices [1]	Percent of total employees serviced
Federal Security Agency	34,083	20,832	61.1
Department of the Treasury	112,488	42,148	37.5
Department of the Interior	65,573	20,305	31.0
General Services Administration [2]	26,136	12,400	47.4
Total	238,280	95,685	40.2

[1] Includes military personnel in U. S. Coast Guard and the Public Health Service.
[2] Based on first quarter fiscal year 1951.

See exhibit 3 in appendix for supporting data.

Personnel loans, details, and assignments

In the beginning of this survey the subcommittee sent a letter [2] to each independent executive agency to obtain information on—

(*a*) The number of employees whose services had been made available to other agencies on a temporary loan, detail, or assignment basis during the calendar year 1949, and

(*b*) The number of employees that each agency had similarly borrowed during the same period.

[1] See A Questionnaire on the Temporary Assignment of Personnel in Executive Departments and Agencies, appendix exhibit 4 on p. 162.

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FIGURE 1

THE NUMBER AND GS GRADE OF EMPLOYEES SERVICED BY HEADQUARTERS PERSONNEL OFFICES IN THE FOUR SELECTED AGENCIES*

AS OF JUNE 30, 1950

*41 percent of total employment in 4 selected agencies. Supporting data shown in Table 5.

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Table 6 presents a summary of the agencies' replies. Comparison of the data in contiguous columns 1–2 and 3–4 provides a good cross check on the accuracy of the agency personnel records on which the replies were based. For example, the Department of Justice reported that it had neither received nor extended the services of any employees in spite of the fact that other agencies reported the loan of 10 workers to the Justice Department during the period.

TABLE 6.—*Summary of accountability for loans of personnel between agencies during calendar year 1949*

Agency	Personnel loaned by agency		Personnel received by agency	
	Reported by agency as loaned to others	Reported by others as received from agency	Reported by agency as received from others	Reported by others as loaned to agency
Bureau of the Budget	6	3	2	2
National Security Resources Board	0	2	0	3
Council of Economic Advisors	0	0	0	1
War Claims Commission	1	0	0	0
Department of State	10	9	6	28
Department of the Treasury	0	2	1	3
Department of Defense	0	0	0	4
Department of the Army	10	15	7	37
Department of the Navy	4	9	4	10
Department of Air Force	0	0	12	4
Department of Justice	0	0	0	10
Post Office Department	2	1	0	0
Department of Interior	22	7	11	18
Department of Agriculture	68	24	7	5
Department of Commerce	16	13	9	6
Department of Labor	5	0	6	8
Civil Service Commission	3	2	4	2
Economic Cooperation Administration	0	0	58	83
Federal Deposit Insurance Corporation	0	0	1	2
Federal Security Agency	39	11	0	5
Housing and Home Finance Agency	5	2	6	5
Housing Expediter	3	2	0	0
National Labor Relations Board	3	3	3	1
Reconstruction Finance Corporation	28	23	0	0
Securities and Exchange Commission	1	2	0	0
Selective Service	0	11	0	1
Tennessee Valley Authority	12	9	0	1
Veterans' Administration	4	12	2	2
Atomic Energy Commission	0	0	17	14
Interstate Commerce Commission	3	1	0	0
Maritime Commission	7	0	0	0
General Services Administration	15	14	21	14

It should be noted that, except for negative returns, the reports revealed gross errors. It is doubtful that the agencies can give a prompt and accurate accounting of the assignment of their employees on any given date or for any stated period. The on-the-spot surveys in the agencies corroborate this finding.

Decentralization

Previous parts of this report have presented information on the decentralization of some of the agencies' administrative activities. Table 5 contains a summary of factual data on the extent of decentralization of personnel activities within the agencies. On the average, 40.2 percent of all personnel actions are processed in the Washington headquarters. The agency average varies from 31 percent in the Department of the Interior to 61 percent in the Federal Security Agency.

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FISCAL MANAGEMENT

Similar variations exist in staffing the fiscal management functions of the agencies. Table 7 contains comparative data on the number of workers assigned and the relative costs of budget, accounting, payrolling, and voucher examination activities.

TABLE 7.—*Employees engaged in fiscal management activities in selected agencies during fiscal year 1950*

Agency	Budget		Accounting		Voucher examination [3]		Payroll		Total	
	Number of workers	Cost per dollar	Number of workers	Cost per dollar [1]	Number of workers	Cost per voucher	Number of workers	Annual cost per capita	Number of workers	Ratio to total personnel
Federal Security Agency [2]	202	$0.005	459	$0.010	149	$1.27	130	$11.12	940	1:36
Treasury Department	168	.002	1,013	.007	182	.96	476	12.44	1,839	1:61
Department of the Interior	135	.001	1,059	.006	221	.99	278	14.19	1,693	1:36
General Services Administration [4]	58	.0003	419	.001	109	1.14	148	18.80	733	1:36
Total or average	563	.0009	2,950	.005	661	1.05	1,032	13.41	5,205	1:45

[1] Grants, loans, debt retirement, etc., not included.
[2] Correction to table V, p. 11, pt. I.
[3] Payrolls excluded.
[4] Based on first quarter fiscal year 1951.

An average of 1 employee in 45 is assigned to internal fiscal management in the agencies. In the four agencies the ratio varies from 1:36 to 1:61. A large proportion of fiscal employees is involved in payrolling, the average annual cost of which amounts to $13.41 per worker. Table 8 shows that this cost average deviates from $11.12 in the Federal Security Agency to $18.80 in the General Services Administration.

TABLE 8.—*Number of workers, employees per worker, and per capita cost of payrolling activities in selected agencies, fiscal year 1950*

Agency	Number of payroll employees	Employees per worker	Per capita annual cost
Federal Security Agency	130	262	$11.12
Department of the Treasury	476	236	12.44
Department of the Interior	278	236	14.19
General Services Administration	148	177	18.80
Total or average	1,032	231	13.41

Average salaries of persons assigned to fiscal management show a difference of $700 per year in the four agencies. Table 12 on page 156 reveals that the highest annual rate ($3,860) is paid in the General Services Administration with the lowest rate ($3,160) prevailing in the Federal Security Agency.

PROCUREMENT

Table 9 summarizes the agencies' reports on the number of employees and relative costs of purchasing operations during fiscal year 1950.

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TABLE 9.—*Average number of employees and relative cost of purchasing operations in selected agencies during fiscal year 1950*

	Purchase orders			Employees engaged in issuing purchase orders			Average cost per order	Average size of order
	Number issued	Dollar volume	Percent under $20	Employees	Cost personal services	Daily average		
Federal Security Agency [1]	121,014	$25,928,639	50	197	$605,860	2.4	$5.00	$214.26
Treasury Department	44,261	46,140,878	40	89	312,558	2.0	7.06	1,042.47
Interior Department	38,725	53,770,867	36	108	385,266	1.4	9.95	1,388.53
General Services Administration [2]	13,896	14,276,136	28	31	105,240	1.8	7.57	1,027.35
Total	217,896	140,116,520	48	425	1,408,924	2.0	6.47	643.04

[1] Fiscal year 1949.
[2] Based on first 3 months of fiscal year 1951.

It will be noted that nearly half (48 percent) of the 217,896 orders were for amounts totaling less than $20. The average cost of each order in the four agencies is $6.47.

The table shows that 425 workers are engaged in this function in the headquarters offices of the four agencies surveyed. Their average daily workload is only two orders per day. Procurement workers in the Federal Security Agency receive an average annual salary of $3,075 while workers performing similar duties in the Department of the Interior are paid $3,567. (See table 12, p. 156.)

MANAGEMENT IMPROVEMENT

The circumstances regarding management improvement programs in the agencies were a distinct disappointment to the subcommittee. A presurvey analysis of this activity gave promise that this relatively new tool of management might be used as a means for attaining better utilization of employees in the agencies. On-the-spot surveys produced only infrequent evidence that this objective would be realized.

As previously pointed out, some effective management improvement is being carried on in the Bureaus of Reclamation and Land Management of the Department of the Interior and in the Office of Management of the General Services Administration. Elsewhere the subcommittee believes that the program suffers from (1) a misunderstanding of the aims and objectives of Executive Order 10072,[3] (2) lack of support from the head of the agency or bureau, (3) disinterest and lack of cooperation from responsible program officials, and (4) poorly qualified personnel.

Executive Order 10072, issued in July 1949, directed the head of each department or agency to give increased and regular attention to the economy and effectiveness of the programs for which they are responsible. It directed a systematic review of all activities on a continuing basis to determine the degree of effectiveness, efficiency and economy in the agencies' operations. It ordered an appraisal of each agency's organization, procedures and staffing at each level. The content of the order seems unmistakably clear but thus far the subcommittee finds that the agencies, generally, have exhibited a great deal of misunderstanding and noncompliance with the mandate.

[3] See p. 17, pt. 1, Federal Security Agency.

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General Conditions Affecting Overstaffing

FIELD ORGANIZATION

Field organizations of the agencies grow in an irregular manner. In an attempt to bring program services closer to the people the 4 agencies covered in this report maintain nearly 6,000 field offices throughout the country. The subcommittee has not questioned the necessity for so many offices but it does entertain serious doubt about the manner in which they are established and administered. For the most part, it has been found that there is not enough consideration given to the necessity for their establishment and continuation. Usually each bureau or office handles its own network of offices quite apart from the offices of other bureaus within the same agency, and very often in the same cities. There is little attempt to consolidate or integrate them in local areas. This separate administration increases their cost in both manpower and dollars.

LEAVE

A study of personnel utilization would be incomplete without some consideration of the problem of employee attendance. The subcommittee has not studied the prevailing leave system in this survey and is not inclined to comment on present policies until the joint study currently being made by the Bureau of the Budget and the Civil Service Commission is completed.

Table 10 indicates that 47,996 headquarters employees in the 4 agencies surveyed were absent an average of 35.5 days [4] during the calendar year 1949. This rate represents 14 percent of 252 working days in that period.

TABLE 10.—*Summary of employee absenteeism in selected agencies [1] during calendar year 1949*

Agency	Number of employees covered by sample	Average number of working days leave [2] taken per employee			
		Annual	Sick	All other	Total leave
Federal Security Agency	12,099	22.4	9.9	3.6	35.9
Department of the Treasury	18,017	22.5	11.7	3.5	37.7
Department of the Interior	5,130	21.0	8.6	1.5	31.1
General Services Administration [3]	12,750	23.1	11.1	2.7	36.9
Total or average	47,996	22.4	10.2	2.9	35.5

[1] Data for agencies shown in exhibit 5 in appendix.
[2] Based on 252 total working days for year.
[3] Based on leave period Jan. 1 through Oct. 14, 1950.

EMPLOYEE TURN-OVER

Data submitted on employee turn-over provides an index to the stability of employment in the agencies. Continuity of employment in all positions is a factor in personnel utilization but it is particularly important at the supervisory and executive levels.

GS grades 7, 9, and 11 are generally considered parts of the super-

[4] Classified employees now receive credit for 26 days annual leave and 15 days sick leave per year.

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visory levels; yet, according to table 11, they show a high rate of turn-over. The average rate of 13.5 percent at grade GS–11 should be made the subject of further study within the agencies. Needless to say, every effort should be made to lower the prevailing rates at every grade.

TABLE 11.—*Rate of employee turn-over by classification grade in selected agencies during fiscal year 1950*

GS or corresponding grade	Number of employees covered by sample	Name of agency				Average rate
		Federal Security Agency	Treasury	Interior	General Services Administration [1]	
11 and above	962	19.1	3.7	14.2	----------	10.7
1[illegible]	1,412	8.5	5.1	4.5	20.2	6.4
1[illegible]	3,183	10.4	2.9	5.2	13.0	5.5
1[illegible]	5,713	12.8	1.9	6.2	5.3	5.5
1[illegible]	5,134	36.8	5.0	7.5	11.8	13.5
10	1,829	9.0	1.9	18.4	177.7	4.3
9	8,119	26.9	2.2	11.1	18.3	9.2
8	4,725	6.2	1.6	10.9	8.2	3.0
7	5,983	25.2	2.3	8.7	15.9	6.6
6	5,991	11.3	1.9	18.3	14.5	5.7
5	8,546	21.1	9.1	20.2	12.2	15.5
4	8,585	16.9	7.6	15.2	14.2	12.0
3	8,364	25.2	15.0	25.0	30.3	20.9
2	11,816	31.8	20.4	28.8	16.5	21.8
1	9,894	57.1	29.5	39.6	13.0	27.6
Total	93,256	26.3	8.3	15.8	15.3	13.6

[1] Based on first quarter fiscal year 1951.

PAY RATES

An important influence on the high rate of employee turn-over in the executive agencies is undoubtedly the marked difference in salaries offered among them. "Equal pay for equal work" is a much-discussed topic among Federal employees. The figures contained in tables 12 and 13 refute this platitude.

Average salaries for similar staff work in the four agencies show differences of $492 in procurement jobs to $1,688 in management-improvement positions. Certainly a condition of this kind stimulates employee turn-over.

TABLE 12.—*Average annual salary of employees engaged in personnel, procurement, fiscal, and management-improvement activities in selected agencies during fiscal year 1950*

Name of agency	Personnel	Procurement	Fiscal	Management improvement
Federal Security Agency	[1] $3,897	$3,075	$3,160	$5,011
Treasury Department	[2] 3,790	3,511	3,225	5,654
Interior Department [3]	4,017	3,567	3,560	6,699
General Services Administration [4]	4,381	3,395	3,860	6,102
Average	3,931	3,315	3,396	5,343

[1] Does not include Division of Commissioned Officers at the Public Health Service.
[2] Does not include military personnel in the U. S. Coast Guard.
[3] Does not include Office of Territories.
[4] Based on fiscal year 1951.

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TABLE 13.—*Average salaries for workers in selected agencies for fiscal year 1950*

Agency	Total employment	Personal-service costs	Average salary
Federal Security Agency	34,083	$126,820,265	$3,721
Department of the Treasury	112,488	389,001,909	3,458
Department of the Interior [1]	58,843	166,656,717	2,832
General Services Administration	26,136	88,000,000	3,367
Total or average	231,550	770,478,891	3,327

[1] Average salary based upon average annual total employment.

HEARINGS

Extensive executive hearings were held by the subcommittee in connection with the report on the Prices and Cost of Living Division, Bureau of Labor Statistics (pt. II, pp. 49–57), but time did not permit hearings on the other parts of the report. In lieu of this the subcommittee asked the head of each agency concerned to submit written comments on the preliminary reports. The subcommittee's letter of request is reproduced below, and the agencies' replies are reproduced in the appendix of this report. (See exhibits 6 to 10 on pp. 165 to 210.)

HOUSE OF REPRESENTATIVES,
COMMITTEE ON POST OFFICE AND CIVIL SERVICE,
Washington, D. C., December 5, 1950.

Hon. JOHN W. SNYDER,
Secretary, Department of the Treasury, Washington 25, D. C.

DEAR MR. SECRETARY: I am enclosing a copy of our preliminary report on personnel utilization in the executive departments and agencies which deals with the Department of the Treasury.

Inasmuch as the subcommittee intends to summarize its findings in a final report for this session of Congress, we would like to know what action you have taken, or propose to take, to carry out the recommendations contained in the report. If you care to submit any additional comments on the report we shall be glad to receive them.

We would like to have your reply on or before December 15, 1950. Your cooperation in expediting this request will be appreciated.

Sincerely yours,

JOHN BELL WILLIAMS,
Chairman, Subcommittee on Overstaffing.

It should be noted that the data presented in tabular form in this report were taken from communications received from, and signed by, responsible officials of the respective agency involved.

CONCLUSIONS

The subcommittee wishes to emphasize that the need for vigilance in the practice of economy and efficiency in government becomes increasingly self-evident in periods of national emergency. Recent events make it necessary that intense emphasis be placed upon the optimum use of available manpower, especially in nondefense operations.

The subcommittee has presented evidence of overstaffing within the agencies surveyed. It has identified numerous faults and malpractices that contribute to overstaffing. Specific remedial actions have been recommended. Further, the subcommittee has recited several principles of departmental management on which satisfactory personnel utilization depends.

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There is no escape from the fact that final responsibility for implementing improvement rests with the agencies. They advise that action has already been taken to carry out some of the recommendations of the preliminary reports.[5] Continued watchfulness by appropriate committees of Congress will be necessary to insure realization of the improvements which have not yet been put in force.

RECOMMENDATIONS

In keeping with the findings and conclusions contained in this report, the subcommittee makes the following recommendations which it believes necessary to the reduction and prevention of overstaffing in the civil activities of the executive departments and agencies:

1. The head of each agency should make a thorough study of the activities under his direction with principal stress upon the fullest possible use of the present personnel complement. Foremost consideration should be given to—

(*a*) simplification of the agency's organization structure. All nonessential, duplicating, and overlapping functions should be eliminated. All functions not directly related to the defense effort should be reappraised with a view toward reduction or complete elimination;

(*b*) clarification of authority and responsibility within the agency to prevent delay and indecision in operations;

(*c*) identification and correction of malpractices of administration;

(*d*) providing a strong central control over minimum staffing requirements; and

(*e*) the transfer of excess personnel to activities which are a part, or directly in support, of the accelerated defense program.

2. In addition, the head of each agency and/or bureau should devote more time to active supervision of the subordinate operations within their respective assignments. Responsible officials should become better acquainted with the activities for which they will be held accountable.

3. An appropriate committee of Congress should establish a continuing facility to follow up and extend to other agencies the application of the policies and recommendations, both specific and general, set forth in this report.

Respectfully submitted.

JOHN BELL WILLIAMS, *Chairman.*
JAMES C. DAVIS
A. S. HERLONG, JR.
EDWARD H. REES
HAROLD C. HAGEN.

[5] See exhibits 7, 8, 9, and 10 of the appendix.

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APPENDIX

EXHIBIT 1

Summary of number of employees, accessions, recruitment interviews, and comparison of certain personnel functions in selected agencies during fiscal year 1950

Agency and bureau or service	Average number of employees	Number of—			Man-hours required to file applications
		Accessions	Recruitment interviews	Interviews per accession	
Federal Security Agency:					
Office of Administrator	736	62	2,287	22	91
Office of Commissioner	108	42			
Social Security Administration					
Bureau of Federal Credit Unions	56	1	75	75	40
Children's Bureau	246	32	210	6	30
Bureau of Public Assistance	246	26	242	9	85
Bureau of Old Age and Survivors' Insurance	5,911	683	4,348	6	6,865
Office of Education	379	85	718	8	1,032
Food and Drug Administration	439	66	196	3	833
Office of Vocational Rehabilitation	122	21	450	21	85
Public Health Service (civilian)	8,256	2,421	1,731	.7	2,414
Public Health Service commissioned officers	2,165	389	850	2	2,710
FSA total	18,667	3,828	11,207	2.9	14,185
Department of the Treasury:					
Office of the Secretary	898	74	3,274	44	4,296
Bureau of Accounts	1,199	133	5,794	44	4,596
Bureau of the Public Debt	2,380	110	541	5	108
U. S. Savings Bonds Division	509	99	49	.5	2,388
Office of Treasurer of United States	1,405	98	1,517	15	1,008
Bureau of Customs	2,098	32	270	8	236
Comptroller of the Currency	1,166	127	72	.6	156
Bureau of Internal Revenue	21,065	505	16,420	32	290
Bureau of Narcotics	282	32	200	6	30
Bureau of Engraving and Printing	6,054	1,300	2,770	2	6,513
U. S. Secret Service	730	112	1,250	11	920
Bureau of the Mint	1,166	19	50	2	30
U. S. Coast Guard	2,932	457	970	2	654
Treasury total	41,884	3,098	33,177	10.7	21,225
Department of the Interior:					
Office of the Secretary	653	135	8,791	6	8,908
Bonneville Power Administration	2,644	1,240	9,000	7	9,360
Bureau of Land Management	464	39	781	20	520
Bureau of Indian Affairs	738	168	760	4	2,142
Bureau of Reclamation	3,328	596	10,610	18	10,036
Geological Survey	4,928	786	320	.4	4,525
Bureau of Mines	4,058	990	500	.5	1,412
National Park Service	654	134	3,000	22	4,000
Fish and Wildlife Service	2,838	281	775	3	504
Interior total	20,305	4,369	34,537	8	41,407
General Services Administration [1] total	12,400	1,300	6,000	4.6	7,509
Total	93,256	12,595	84,921	6.7	84,326

[1] Based on first quarter of fiscal year 1951.

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EXHIBIT 2

Functional distribution of personnel staffs in agencies and bureaus during fiscal year 1950

	Percent of total personnel staff								
	Direction and administration	Employment, placement, and separation	Classification job evaluation and wage administration	Employee relations and training	Training	Committees and boards of examiners	Processing records and reports	Undistributed staff
Federal Security Agency:								
Bureau of Federal Credit Unions	30.0	20.0	10.0	20.0			20.0	
Children's Bureau	9.4	21.9	21.9					
Bureau of Public Assistance	6.7	40.0	16.7	3.3			33.3	
Bureau of Old Age and Survivors Service	13.7	27.9	9.0	8.3	10.3	3.0	27.8	
Office of Education	11.7	33.3	25.0	5.0			2.5	
Food and Drug Administration	13.4	17.9	20.9	3.0	1.5	6.0	37.3	
Public Health Service	16.7	16.2	20.8	5.2	5.8	4.9	30.4	
Office of Vocational Rehabilitation			30.0	10.0	10.0	45.0	5.0	
Freedmen's Hospital	15.0	20.0	10.0	10.0	5.0	10.0	30.0	
St. Elizabeths Hospital	6.8	29.0	17.9	4.2		14.2	27.9	
Average for FSA	15.4	21.1	16.8	6.0	6.3	5.0	29.4	
Treasury Department:	23.4	28.7	6.4	8.5			33.0	.6
Office of Administrative Services	6.7	22.2	6.7	13.3			40.0	
Office of Technical Staff	7.4	21.9	13.1	6.5	2.2		48.9	
Office of General Counsel	12.8	16.0	24.9	12.4	6.3		27.6	
Bureau of Accounts	8.9	16.1	26.8	8.9	1.8		35.7	
Bureau of the Public Debt	17.1	7.9	21.4	15.8	1.4	.7	35.7	
U. S. Savings Bonds Division	10.2	34.6	23.1	9.0			23.1	
Office of Treasurer of the United States	1.3	2.5	4.4	3.1	13.6	2.3	72.8	
Bureau of Customs	8.0	40.0	8.0	4.0			40.0	
Bureau of Internal Revenue	10.4	31.3	11.9	9.0			37.3	
Bureau of Narcotics	10.0	15.0	8.3	16.7	16.7		33.3	
Bureau of Engraving and Printing	16.0	12.0	23.3	6.0		1.3	34.7	6.7
U. S. Secret Service	15.9	18.9	13.9	6.6	.9	3.9	39.8	
Bureau of the Mint								
U. S. Coast Guard								.2
Average for Treasury	9.3	12.2	10.7	6.3	7.7	1.5	52.1	

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Department of the Interior:									
Office of the Secretary, Operations	11.1	16.6	11.1	7.4			46.3		7.4
Bonneville Power Administration	12.0	56.0	8.0		12.0	12.0			
Southwestern Power Administration	10.9	16.4	34.5	16.4	3.6	10.9	7.2		
Bureau of Land Management	13.4	29.3	15.3	2.5			39.5		
Bureau of Indian Affairs	11.2	12.4	7.0	3.5	.8	.1	22.2		42.7
Bureau of Reclamation	15.7	19.6	16.6	5.1	4.4	5.3	28.5		4.8
Geological Survey	5.8	16.8	14.4	2.9		2.9	57.2		
Bureau of Mines	10.2	12.1	17.0	3.8		4.5	52.4		
National Park Service	4.5	29.8	8.1	.4	.4		56.8		
Fish and Wildlife Service	19.5	13.3	18.7	5.5	1.2	3.5	38.3		
Average for Interior	12.7	20.7	13.9	4.0	2.9	3.9	33.1		8.8
Average for 3 agencies [1]	10.5	17.4	13.4	5.4	6.0	3.2	41.2		2.9

[1] Data for General Services Administration not available for this period.

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EXHIBIT 3

GS or equivalent grades and number of employees serviced by headquarters personnel offices in selected agencies during fiscal year 1950

NUMBER OF EMPLOYEES SERVICED

Grade [1]	Federal Security Agency	Treasury Department	Interior Department [2]	General Services Administration	Total
15	464	301	127	73	965
14	452	503	376	88	1,419
13	819	1,274	919	164	3,176
12	1,510	2,353	1,571	230	5,664
11	1,463	1,169	1,612	336	4,580
10	120	1,491	102	6	1,719
9	1,640	3,682	2,201	265	7,788
8	386	3,682	496	93	4,657
7	1,027	5,194	2,236	408	8,865
6	392	4,039	965	292	5,685
5	2,288	1,709	2,833	1,136	7,966
4	1,456	2,640	2,240	1,730	8,066
3	2,026	2,848	2,301	926	8,101
2	2,723	2,710	1,346	2,740	9,519
1	1,901	1,274	817	3,739	7,731
Total	18,667	34,869	20,142	12,226	85,904

PERCENT OF EMPLOYEES SERVICED

Grade [1]	Federal Security Agency	Treasury Department	Interior Department [2]	General Services Administration [3]	Percent of total
15	2.5	0.9	0.6	0.6	1.1
14	2.4	1.4	1.9	.7	1.7
13	4.4	3.6	4.6	1.3	3.7
12	8.1	6.7	7.8	1.9	6.6
11	8.0	3.3	8.0	2.7	5.3
10	.6	4.3	.5	.1	2.0
9	8.8	10.6	10.9	2.2	9.1
8	2.0	10.6	2.5	.8	5.4
7	5.5	14.9	11.1	3.3	10.3
6	2.1	11.6	4.8	2.4	6.6
5	12.2	4.9	14.1	9.3	9.3
4	7.8	7.6	11.1	14.2	9.4
3	10.8	8.2	11.4	7.6	9.4
2	14.6	7.8	6.7	22.3	11.1
1	10.2	3.6	4.0	30.6	9.0
Total	100.0	100.0	100.0	100.0	100.0

Consolidated GS and equivalent CPC grades.
Does not include Office of Territories.
Based on period Jan. 1 to Oct. 1, 1950.

EXHIBIT 4

A QUESTIONNAIRE ON THE TEMPORARY ASSIGNMENT OF PERSONNEL IN EXECUTIVE DEPARTMENTS AND AGENCIES

I. Prepare a list of the employees [1] in your agency whose services have been made available to another agency on a temporary loan, detail, or assignment basis within the calendar year 1949. The list should include the following information for each employee:

A. The name, grade, salary, and official class title of each employee.

B. The name and organizational unit of the agency to which the employee was made available.

C. The total duration of each loan period(s); indicate the number of time extensions granted.

D. The amount of funds received from salary reimbursement.

[1] Include military personnel working in civilian agencies.

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E. The name, grade, salary, and official class title of the person or persons who assumed the duties formerly assigned to the employee serving on loan.

F. Indicate any increase in grade or salary (other than in-grade promotions) awarded to the employees listed in items A and E above, during the loan period.

G. Justification for the loan. (How was your agency able to do without the services of this employee?)

H. The total number of employees made available to other agencies during the calendar year of 1949.

I. The total funds received from salary reimbursements during the calendar year 1949 (see item I–D above).

II. Prepare a list of employees [1] of other agencies whose services have been utilized in your agency on a temporary loan, detail or assignment basis within the calendar year 1949. The following information should be included for each employee:

A. The name, grade, salary, and official class title in your agency.

B. The name and organizational unit of the agency from which the employee was acquired.

C. The total duration of the loan period(s); indicate the number of times extensions required.

D. The amount of funds paid for salary reimbursement.

E. Justification for the loan. (Why was it necessary to borrow this particular employee?)

F. The total number of employees borrowed from other agencies during the calendar year 1949.

G. The total funds paid for salary reimbursements during the calendar year 1949 (see item II–D above).

EXHIBIT No. 5

Absenteeism for calendar year 1950 by salary grade of employees in selected agencies

Agency	Grade	Number of employees covered by sample	Average number of working days of leave taken per employee			
			Annual	Sick	All other	Total
Federal Security Agency	15	70	18	6.3	-------	24.3
	14	111	19.2	7.8	3	29.5
	13	287	21.8	6.3	3	31.1
	12	385	22	7.6	3	32.6
	11	417	22	7.8	3.5	33.3
	10	38	20.2	12.4	1	33.6
	9	493	22.8	8.3	3.8	34.9
	8	53	22.2	8.6	-------	30.8
	7	752	22	10.1	5.3	37.4
	6	269	13	6	1.4	20.4
	5	1,043	25.3	10.1	4.3	39.7
	4	1,400	22.3	10.9	2.5	35.7
	3	2,001	22.3	11.1	3.5	36.9
	2	3,164	24	10.1	3.3	37.4
	1	1,616	20	10.4	5.3	35.7
Total	-------	12,099	22.4	9.9	3.6	35.9
Department of the Treasury	15	104	16.1	3.5	1.7	21.3
	14	149	20.4	7.6	2.3	30.3
	13	346	22.4	8.6	1.3	32.3
	12	366	23.7	10	2.3	36
	11	755	22.4	12.3	2.5	37.2
	10	243	24.2	10.8	1	36
	9	651	23.9	11.1	1.8	36.8
	8	293	24.2	11.3	1.2	36.7
	7	746	23.9	11.8	1.8	37.5
	6	535	23.9	12.3	1.8	38
	5	1,333	22.4	11.6	1.3	35.3
	4	2,225	22.7	12.1	2.5	37.3
	3	2,560	20.4	11.6	4	36
	2	4,871	21.9	12.6	4.5	39
	1	2,840	23.9	11.3	5.3	40.5
Total	-------	18,017	22.5	11.7	3.5	37.7

[1] Include military personnel working in civilian agencies.

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EXHIBIT No. 5—Continued

Absenteeism for calendar year 1950 by salary grade of employees in selected agencies—Continued

Agency	Grade	Number of employees covered by sample	Average number of working days of leave taken per employee			
			Annual	Sick	All other	Total
Department of the Interior	15	75	14.4	4	.2	18.6
	14	182	19.2	5.4	.7	25.3
	13	294	20.8	5.5	1	27.3
	12	395	21	7.3	2.2	30.5
	11	425	21.6	7	1.6	30.2
	10	29	22	4.7		26.7
	9	471	23.2	8.2	2	33.4
	8	50	23	11.3	.3	34.6
	7	721	23.1	8.7	.9	32.7
	6	253	22	9.2	1.8	33
	5	882	18	7.7	1.6	27.3
	4	742	23	11.7	1.7	36.4
	3	553	20.1	10.9	1.5	32.5
	2	175	18.6	9.1	.9	28.6
	1	83	19.5	10	1	30.5
Total		5,130	21	8.6	1.5	31.1
General Services Administration [1]	15	73	15.9	6.6		22.5
	14	38	16.7	7.8	.5	25.0
	13	164	18.2	7.3	.5	26.0
	12	230	19.7	7.1	1.0	27.8
	11	336	20.7	9.9	1.5	32.1
	10	6	1.2	.5	.2	1.9
	9	265	22.8	9.9	1.0	33.7
	8	96	23.3	11.5	1.2	36.0
	7	415	22.5	9.5	1.5	33.5
	6	306	23.5	9.1	1.6	34.2
	5	1,141	23.8	10.2	1.5	35.5
	4	1,767	23.6	11.4	2.5	37.5
	3	965	23.9	12.0	3.5	39.4
	2	2,859	22.8	10.4	1.9	35.1
	1	4,069	23.5	12.5	4.2	40.2
Total		12,780	23.1	11.1	2.7	36.9
Total average		47,906	22.4	10.2	2.9	35.5
Summary	15	322	16.1	5.1	.5	21.7
	14	530	18.9	7.0	1.6	27.5
	13	1,061	20.8	6.9	1.4	29.1
	12	1,376	21.6	8.0	2.1	31.7
	11	1,933	21.7	9.2	2.3	33.2
	10	316	16.9	7.1	.5	24.5
	9	1,880	23.2	9.4	2.1	34.7
	8	492	23.1	10.7	.7	34.5
	7	2,434	22.9	10.0	2.4	35.3
	6	1,363	20.6	9.1	1.7	31.4
	5	4,399	22.4	9.9	2.2	34.5
	4	6,134	22.9	11.5	2.3	36.7
	3	6,053	21.7	11.4	3.1	36.2
	2	11,059	21.8	10.6	2.6	35.0
	1	8,603	21.7	11.0	4.0	36.7
Total or average		47,996	22.4	10.2	2.9	35.5

[1] Based on leave period from Jan. 1 through Oct. 14, 1950.

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COMMENTS ON THE REPORT ON INVESTIGATION OF EMPLOYEE UTILIZATION IN THE EXECUTIVE DEPARTMENTS AND AGENCIES

EXHIBIT 6

THE FEDERAL SECURITY AGENCY

FEDERAL SECURITY AGENCY,
Washington, December 15, 1950.

The Honorable JOHN BELL WILLIAMS,
Chairman, Subcommittee Investigating Overstaffing,
House of Representatives, Washington 25, D. C.

DEAR MR. CHAIRMAN: This is in response to your letter of November 30 in which you ask for my comments regarding the preliminary report of your subcommittee dated June 22, 1950. I appreciate very much having an opportunity to comment on that report. Also you may be assured that I am always receptive to suggestions that will improve the management of the Agency.

Under "General findings" there are two points to which I would like to refer. One is the statement that there is no clear-cut line of responsibility or authority in the Agency and the other that there are too many layers of administration. It seems to me that through Agency orders, delegations, and organization charts, copies of which were available to your investigators, there is a clear and definite line of authority. I find it difficult to understand the statement that there are too many layers of administration.

The Agency has about 35,000 employees and expends about $2,000,000,000 a year. This cannot be done without a subdivision of responsibility. I have recently abolished the Office of the Commissioner of Special Services and now have the Director of the Office of Vocational Rehabilitation and the Commissioner of the Food and Drug Administration reporting directly to me. This matter has been under consideration for several months. We are constantly looking for opportunities to improve our organizational structure.

Comments regarding personnel management are, in my opinion, not justified, in that recognition was not given to the fact that we have a program for the decentralization of personnel activities which was and is in process. When consideration is given to the fact that the Agency has hundreds of field stations, you will agree that, when steps are taken to decentralize, caution must be exercised to assure satisfactory operation at the points of decentralization before we completely discontinue similar steps at headquarters. Ratios of those employed on personnel to total employed have been improved as follows: Fiscal year 1950, 1 to 72; 1951, 1 to 78; 1952, 1 to 84. I also wish to point out that the Agency personnel manual system is one which has been praised by the Civil Service Commission and other departments and has been used as a model for other agencies because it reduces and integrates all personnel instructions into one system.

The arrangement of the budget as to categories is a legislative matter and is not for administrative decision. As to fiscal management, extensive consolidations have taken place in the regional offices and more are under consideration. Departmental accounting has been studied and some consolidations made; others are contemplated.

The Budget Officer is a staff position with unlimited authority to review budgetary matters and make recommendations to me. The number of personnel engaged in accounting is incorrectly stated in the report. Five hundred forty-three employees are reported for the Bureau of Old-Age and Survivors Insurance, whereas only a small fraction of these are doing administrative accounting. The balance are concerned with trust-fund accounts and the accounts of the bureaus for 3,000,000 beneficiaries.

Reference to procurement mentioned the number of units procuring, storing, and issuing supplies, and excessive costs. Prior to your survey, recommendations had been made for the consolidation of these activities; and I am glad to advise that the Agency has one supply section serving all the units in the two buildings here in Washington. Formerly there were seven units serving the Washington bureaus.

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Procurement costs will be reduced as simplified processes are released by the General Services Administration, the Bureau of the Budget, and the General Accounting Office. You are familiar with the Hoover Commission reports wherein it is clearly pointed out that the excessive costs of handling the procurement of supplies in the Federal Government are due to a maze of laws and regulations with emphasis on prevention of fraud rather than promotion of efficiency and economy. I assure you that we are working closely with the control agencies in order to take advantage of new procedures.

Since the issuance of Executive Order 10072, the management-improvement program of the Agency has been accelerated. The developments of the last few months are bringing about new emphasis and new interests in this field throughout the Agency. The suggestion in the report that the executive assistant be authorized to assign all Agency personnel to survey teams concerned with management improvement is being implemented through leadership in this program and coordination, rather than through direct assignment which would undercut administrative responsibility. I feel that I should also call your attention to the fact that it has not been possible to reconcile the figures in table VIII of the report with the facts.

Another subject reported upon is "Areas of unsatisfactory staffing." Under this heading specific reference is made to the Office of Education. It is pointed out that of the 355 employees of this Office 155 are in positions above grade GS-11; that there are 102 secretarial employees and that the Division of Central and Auxiliary Services number 98. It is not quite clear what implication is intended here. The staff of the Office of Education, as you know, is necessarily highly technical. It could not perform its functions without a reasonable number of high-level employees who must be national experts in their respective fields.

Another area mentioned is "Field operations service," where it is pointed out that one of the most unique characteristics of the Federal Security Agency is the existence of Federal Security Agency field offices attached to almost every part of the organization. I know of no alternative under present laws. To illustrate, in the Public Health Service, Congress has provided for categorical grants and for a number of other specific programs such as tuberculosis control, venereal-disease control, mental health, chronic diseases, dental health, operation of hospitals, etc. All of these are highly specialized functions carried on under specific laws. Therefore, it is necessary to have a central point for the issuance of orders and instructions to those operating in the field and for the analysis of accomplishments reported by the field.

The investigators did point out some weaknesses in our purchase and supply function which had been discussed frankly with them. As I have indicated, this has now been rectified. On the whole, however, I do feel that the time assigned to the task was not sufficient to permit a thorough understanding of the problems. I also think that it was unfortunate that the survey team did not have time to review their preliminary findings with the Agency. Had the time been available for this, certain obvious errors which I have mentioned would have been eliminated. More important, I think, there could have been some clarification in the report on the general restrictive provisions which substantially impede the process of improving operations. Some of these restrictions are contained in law, in regulations, and decisions made by control agencies such as supply and procurement, to which I have already referred. Due to actions already taken by the Congress, some improvement can be made in this field.

For several years the Agency's appropriation act contained a provision permitting the Administrator to make organizational adjustments. This was discontinued in 1948. The action on the part of the Congress seems inconsistent with the present trend to vest more authority and responsibility in the heads of the agencies.

I am glad to have had this opportunity to comment on the preliminary report and to assure you that recommendations contained therein are under continuous consideration.

Sincerely yours,

OSCAR R. EWING, *Administrator.*

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EXHIBIT 7

THE DEPARTMENT OF THE TREASURY

THE SECRETARY OF THE TREASURY,
Washington, December 11, 1950.

Hon. JOHN BELL WILLIAMS,
Chairman, Subcommittee on Overstaffing,
Committee on Post Office and Civil Service,
House of Representatives, Washington, D. C.

DEAR MR. CHAIRMAN: In your letter of December 5, 1950, accompanying the report on the Treasury Department, released that day, you inquired as to the action we have taken or propose to take to carry out the recommendations contained in the report, and asked that this information with any additional comments be submitted by December 15, 1950.

I have several general comments on the report. They are:

1. In my administration of the Treasury Department, I consistently have taken the position that results are the test of management. Approximately $60,000,000 of identifiable savings have been achieved from the Department's management improvement effort of the past 4 years, plus improvements in service and strengthening of management controls that are extremely valuable but not readily measurable in dollars. For the period from July 25, 1946, through October 31, 1949, these savings are illustrated and itemized on pages 35 to 58 of the Annual Report of the Secretary of the Treasury on the State of Finances, fiscal year ended June 30, 1949. Additional material will be included in the annual report for the fiscal year ended June 30, 1950.

2. Were I to single out the most important factor contributing to the results we have been able to achieve, it would be the utilization of all of the talent in the Department in our approach to the solution of our problems. We have striven, and with a growing degree of success, to enlist the aid of every employee in effecting the improvement of operation. We are convinced, and have proved, that tapping the practical know-how of realistic operating people produces a better and more lasting result. The Treasury job is too large and too complex to be approached with squads of so-called management experts forcing solutions upon practical, experienced operating executives. This is my firm conviction, and every consultant that I have brought in has agreed with it.

3. I believe that the report is a reflection of the method used in its development. As you know, the data was gathered by three investigators working intermittently for a few months and without previous experience in many of our complicated operations. This type of sketchy study of the largest financial institution in the world will not, in my opinion, produce a program on which an action pattern can be based. Some of the Nation's best industrial engineers have devoted tremendously more effort in arriving at recommendations on just one of our bureaus.

4. In January of 1948 I received a report on the Bureau of Customs prepared by McKinsey & Co., nationally known private industrial engineers. The first sentence in their over-all appraisal of that Bureau was "Customs is as well operated as the average industrial company." Another nationally recognized firm, Ebasco Services, Inc., came to a similar conclusion with respect to the operations and management of the United States Coast Guard. I am satisfied that this applies equally to the over-all management of the Treasury Department. While I do not cite the above as standards of perfection, I believe that they represent a level of achievement which belies the implications of the recent report.

The first two recommendations in the report touch on matters of particular concern to me. They refer to our departmental-mindedness and the amount of time devoted by our top officials on personal visits and surveys, the broadening and cementing of informal relationship, etc. Above many other things, I have emphasized these factors in managing the Treasury. I have devoted many days and hours to these particular areas and have insisted that my key men do the same. Most of Treasury's operation is outside of Washington. During the fiscal year 1950 alone, 36 official representatives of my office, besides myself, made 150 inspectional field trips in which we covered 238 visits to 24 cities embracing approximately two-thirds of all Treasury field employment. One of several firm convictions resulting from this extensive contact is that Treasury morale is at an all-time high and that in no other organization of this size and complexity is there greater "family" consciousness and esprit de corps. Another conviction, based on these first-hand surveys, is that our field offices are ideally located from a strategic standpoint.

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As to the specific charges leveled against our bureaus, I would like to take the opportunity of briefly commenting, as an example, on the following:

1. The report's allegation of overgrading, overstafling, and other inefficiency in the United States Coast Guard reveals a failure to consider all the facts. This appears to be typical of many of the findings throughout the document. Based on the most recent unclassified figures available, the proportion of Coast Guard officers to enlisted men is less than that of the Air Force, Army, or Navy. Moreover, in addition to being a much smaller organization than any of the other armed services, the Coast Guard's officer complement includes merchant-marine inspection officers with no enlisted counterpart for such officers. In the fields of accounting and supply, the Coast Guard is a pioneer leader in introduction of improved methods and is serving as a model for similar activities in other Government agencies.

2. The report states that "our survey of the Department failed to reveal any evidence to substantiate the saving of 'almost a million man-hours'." Since I assumed office, the Treasury's manage-improvement program has produced savings far in excess of the million man-hours quoted. For example, during the fiscal year 1950, in the Bureau of Internal Revenue alone, 736,320 man-hours were saved in clerical personnel and diverted to front-line enforcement. (See detailed attachment.)

3. The subcommittee recommends a reduction of 1,575 employees in the Fiscal Service without furnishing any reconcilable information as to where the cut can be applied. What appear to be definite statements in the report simply have no basis in fact when assignments of responsibilities and functions are subjected to orderly analysis. For example, it is suggested that the Division of Disbursement be reduced by 821 employees. Although representatives of the subcommittee had no discussions with our officials on this subject, it appears that they based their recommendation on the fact that a number of certified vouchers for nonrecurring obligations could be paid directly by the Federal Reserve banks. This, the report states, "would eliminate at least half the work of the disbursing officers." If this entire function were removed from the Division of Disbursement, only a fraction of these 821 employees could be released. It would mean the transfer of a function from one office to another with the establishment of another set of executive, supervisory, and service personnel, and other indirect expenses. The Federal Reserve banks would undoubtedly require reimbursement for this work. If the function were to be transferred to the various departments and agencies, the same situation would apply and it would be a reversion to a discarded arrangement which had proved too expensive. Nowhere, in all of the foregoing, can I find evidence of a true saving to the Federal Government. Rather, it would be more costly.

In the few days available since the release of the report, I have asked our bureaus to furnish me with such comments as are feasible regarding the specific issues raised in it. These comments are attached for your information. At the request of Congressman Gary, chairman of the Treasury-Post Office Subcommittee on Appropriations, I am also furnishing him a copy of the Department's comments.

I am also sending to you with this letter a complete copy of a report that we just prepared for the Senate Committee on Expenditures in the Executive Departments. This report will furnish a comprehensive picture of the effective action the Treasury is taking in the field of management improvement.

Contrary to the inferences in the report the departmental and bureau-management committees have full authority to act when action is in the true interest of the public and, equally important, these officials have the know-how to make the action effective. These committees will review the report of the subcommittee in the same manner as they review all other reports, and they will make full use of any recommendations that will improve the operations of the Department.

Sincerely yours,

JOHN W. SNYDER,
Secretary of the Treasury.

PART III—PRELIMINARY REPORT, DEPARTMENT OF THE TREASURY

OFFICE OF PERSONNEL

Reference is made to the section of the report containing recommendations (p. 93) which states:

"The departmental Office of Personnel should—

"(a) Maintain a more complete record of personnel data in order to accomplish better supervision of the personnel program."

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The House Appropriations Committee in 1947 sharply criticized the Office of Personnel for the number of records maintained and the manpower devoted to paper processing, and recommended that it should confine itself in the main to policy matters.

Thereafter an intensive study was made of all of the records and reports of the office. Records which duplicated those kept in the constituent bureaus were eliminated and the reports regularly required of the bureaus were reduced to those for which there was a continuing need. The bureaus maintain basic data from which additional reports can be readily supplied on a spot basis as needed. Further, members of the staff of this office are in frequent contact with bureau offices and thereby the need for written reports is reduced. This change in operating methods has resulted in a reduction of 46 positions in the Office of Personnel since January 1947, and has also reduced the workload on the bureaus.

"(b) Devote more time to the over-all control of personnel costs and staffing standards in the headquarters and field offices of the constituent bureaus."

It is believed that further improvement in staffing ratios can be obtained in some areas and attention is being given to this matter. However due to the diverse character of the several bureaus, and such factors as seasonal employment, number of skills required and geographical location, it is recognized that there will be a justifiable variation of ratios between them. For example, the Bureau of the Mint, which has six widely separated field establishments, cannot attain the same ratio as the Bureau of Engraving and Printing whose employees are all domiciled in two connected buildings.

A considerable amount of staff time is being devoted to simplifying the record systems and to reducing the paper work involved in handling personnel matters. Substantial progress has been made in this area and when this project is completed a more consistent ratio between bureaus will result.

"2. Bureaus maintaining field offices should delegate additional authority to them in order to expedite action and reduce workloads in the headquarters."

The announced policy of the Department is in accord with this recommendation and delegation of authority and decentralization of operations to field offices is progressing as rapidly as circumstances will permit.

OFFICE OF ADMINISTRATIVE SERVICES

Reference is made to the committee's comments on page 70 of the report concerning general services, which conclude with the following statement: "The Office of Administrative Services, within the Office of the Secretary, exercises virtually no control over the constituent organizations. They operate in a highly variable and dissimilar manner."

Other references to the control of general services, to the same effect, are found on pages 71 and 72. There appears to be evident, from these comments, a lack of information or misunderstanding on the part of the committee about what the mission of the Office of Administrative Services is supposed to be.

The Office of Administrative Services was not created to become a control point or central repository of all general services within the Department. It was established to combine supervision of certain service and administrative operations already existing at the departmental level, only some of which have a department-wide significance. In the main, its operating functions have been confined to the service requirements of (1) the staff offices of the Secretary and the departmental headquarters, and (2) certain of the smaller bureaus which have made use of its physical facilities, such as its duplicating unit, rather than establishing their own facilities. Other Treasury activities are served by some of its facilities merely because of "building residence" (telephone switchboard, for example) and maintain self-contained service facilities for themselves in other respects.

The functions and responsibilities of the various Treasury bureaus, comparatively, are highly dissimilar. To best handle day-to-day operating problems, the Department has been organized on the basis of decentralized operating authority vested in the respective bureau chiefs, with policy control retained at the department level. This basis has contemplated the employment by the respective bureaus, of whatever self-contained operating services that contributed to the operating requirements of the bureau functions. The direct result is to provide the bureau head with working tools which are immediately available as needed. Likewise, the expense of such services is made a part of the appropriation of the using bureau, which is in accord with the principles of the performance-type budget.

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The Office of Administrative Services is responsible for promulgation of Department orders and administrative regulations, and for coordination, at the Departmental level, of matters pertaining to records administration, printing, and space occupied by Treasury offices. It participates in management programs of the Department related to its general functions. It has direct liaison responsibility between the Department and the several activities of the General Services Administration. However, with regard to control of general services in the bureaus, the Office of Administrative Services was never intended to become a control unit, and to place it in such a category would run counter to the policy of decentralized operating authority which has been a major element in the Department's organization pattern.

Procurement

On page 71, the report cites the handling of purchase orders and the varying cost of issuing purchase orders in various bureaus, as an example of what is termed "unsatisfactory common services." It is believed that this example serves only to point out that the purchasing requirements of various bureaus, and the internal purchasing processes, are quite different. The Bureau of the Mint, the Bureau of Engraving and Printing, and the United States Coast Guard each have particular commodity requirements not existing elsewhere. Some Bureaus have field offices; while others are entirely local to the District of Columbia. Some bureaus have a centralized procurement process; while others make use of a decentralized method in field offices. It may be well to point out, in regard to decentralization, that such procedure may work faster and reduce supervisory expense; yet a centralized operation may be able, through consolidation, to reduce the number of purchase orders. All of these factors have an effect on the cost of purchase operations. Accordingly, to say that the varying cost of purchase orders is indicative of disordered and costly procurement activities appears unwarranted. More particularly, it would seem to serve only as an indication of what the committee report earlier mentioned (p. 70), that the bureaus operate in a "highly variable and dissimilar manner."

Previous reference has been made to the dissimilarity of function existing between the respective bureaus. In several instances, this dissimilarity exists also between the respective components of a single bureau, where a combination of administrative, technical, and enforcement functions is found. The general services function is a relatively minor aspect of the total cost of bureau operations, and its mission is to serve as a working tool of that bureau. Whether the methods of performance of the general services function vary from bureau to bureau is unimportant. The chief consideration is whether the performance of the general services function within a bureau serves that bureau effectively and economically. The Treasury believes it does just that.

Specific disagreement is expressed with the statement found on page 71, under item A, that the transfer of the Bureau of Federal Supply from the Treasury has left a void of leadership in the procurement field. The transfer of Federal Supply was accomplished by Public Law 152 (81st Cong., 1st sess.). The same enactment raised from $100 to $500 the general authority for Government agencies to purchase in the open market without advertising. With the exception of the raised dollar amount, Treasury bureaus have the same authority today as they had prior to enactment of such legislation, and the Federal Supply Service is performing substantially the same type of purchasing for the Department as it did prior to its transfer from Treasury. There has been no change whatsoever with regard to the Department's position with respect to providing supply leadership, where needed, to its constituent bureaus. It has only been found necessary, since such transfer, to establish effective liaison with the General Services Administration for purposes of the Federal Supply Service; in other words, to establish the same type of liaison as already existed with other control agencies.

General services

On page 93 of the report, reference is made to a realinement of all procurement activities and establishment of a central control. What is actually intended is not clear, but the general implication seems to suggest establishment of a central procurement office.

A great part of the supply needs of Treasury bureaus is met from recognized Government services, such as, for example, those sources controlled by the Federal Supply Service. The volume of direct open-market transactions is relatively small, aside from the technical and specialized supply requirements of the Bureau of Engraving and Printing, and the Bureau of the Mint. To give one example, as in the case of technical and specialized supply items in the Bureau

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of Engraving and Printing, the details of specifications preparation, procurement through the bid and award procedure, and materials inspection necessitate close association of the procurement unit and the operating units familiar with technical requirements. To establish a central activity at the department level would merely create an additional layer of handling. In addition to the categories just mentioned, the United States Coast Guard presents still another situation, since it is a military activity and its supply needs must be determined by military requirements. Accordingly, it is believed that control of the procurement activity should remain with the using bureau, as a working tool geared to the bureau's own program and organization.

BUREAU OF INTERNAL REVENUE

Part III of the preliminary report of the Subcommittee to Investigate Overstaffing in the Executive Departments and Agencies of the House Committee on Post Office and Civil Service, dated December 5, 1950, contains several references to the Bureau of Internal Revenue that reflect serious misunderstanding or misinterpretation of actual conditions. We wish to indicate these references, and to submit comments thereon.

1. The following is an excerpt from page 63 of the report:

"The Department recently reported that 'The management-improvement program was initially installed in the Bureau of Internal Revenue, the largest Bureau of the Department, where it has succeeded to such an extent that almost a million man-hours have been released for other duties since the establishment of the program. For the most part, these man-hours have been diverted to increased enforcement personnel and to other direct front-line enforcement work.'

"Our survey of the Department failed to reveal any evidence to substantiate the saving of 'almost a million man-hours.' On the contrary, officials in the unit directly concerned reported that the estimate was largely the result of one person's imagination and that the statement was loosely cited up the administrative line until it had reached the top. The same official reported that he would be unable to validate even a fractional part of the allegation."

As to the validity of the estimated savings, it is pointed out that the quoted figure of a million man-hours is an exceedingly conservative estimate of the savings attributable to the management-improvement program of the Bureau. This may be seen by referring to the official record made during the latest fiscal year, 1950. The average number of man-years has been computed by adding the number of persons on the payroll at the end of each month and dividing by 12 to obtain the average for the entire fiscal year. A comparison of 1950 with 1949, in terms of a significant twofold classification of personnel, is shown in the following tabulation.

Fiscal year	Front-line enforcement personnel	All other	Total
1949	22,736	29,238	52,024
1950	25,104	28,884	53,988
Difference	+2,318	−354	+1,964

The figures in this tabulation are a matter of official record, and are available for audit by any duly authorized committee of Congress or members of its investigative staff. The basic data were available to the Williams committee staff but were not inspected by them.

The volume of work performed by the "all other" personnel was no less in 1950 than in 1949; if anything, it was larger in 1950. Therefore, the reduction of 354 in this personnel category is a direct and concrete result of the management-improvement program. There are 2,080 hours to the work-year. Multiplying the 2,080 by 354, it is seen that the total number of man-hours saved and available for transfer to enforcement work aggregates 736,320. Thus, it is evident that the demonstrable savings for 1 year alone which were made available for enforcement work are not far from the cited savings figure of 1,000,000 man-hours savings.

As a matter of fact, this 1950 figure falls far short of measuring the total savings that were actually realized during the year. Some portion of the "all other" personnel shown above represents the clerical workers assigned to complement

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the 2,318 additional front-line enforcement personnel. If there had been no additional enforcement personnel in 1950, between 500 to 600 of the "all other" personnel would not have been on the rolls. The basic correctness of this inference is unassailable, even though the precise number of persons cannot be determined from available records. The aggregate savings in the Bureau during 1950 were in the neighborhood of 2,000,000 man-hours.

It is difficult to come to grips with the criticism implied in the reference to "one person's imagination" in the paragraph quoted above. The complete lack of factual basis for the critical inference has been demonstrated in preceding paragraphs.

2. A passage related to the above is found on page 72 of the report, as follows:

"The principal agency-wide effort in recent months took the form of a very elaborate work simplification program. It extended throughout the departmental and field offices and was used supposedly as a device for self-analysis from which subsequent improvement might be launched. Instead, it has been allowed to drag on indefinitely, far beyond its optimum period of usefulness, until it has degenerated into a monthly report on which operating officials are obligated to report for the sake of reporting. Figure 2, Work Simplification Program, taken from the May (1950) issue of the Bureau of Internal Revenue Monthly Activity Report, graphically indicates the present state of its ineffectiveness."

Comment.—One quoted figure of "almost a million man-hours" is derived from monthly progress reports on the work simplification program, submitted by departmental and field offices of the Bureau for a period of approximately 3 years, ending in June 1950. The exact figure, as derived from these reports, is 943,477 man-hours.

It is quite true, as indicated on page 72 of the subcommittee's report, that during the early months of the fiscal year 1950 the results being obtained from this program began to decline.

The decline in the effectiveness of this particular part of the Bureau's over-all management improvement program was to be expected. Our experience in this respect parallels the experience of many other Government departments as well as private industry. That is a characteristic of this type of work simplification program. It was and is only a part of the Bureau's management-improvement work. It is one systematic method by which supervisors at various work levels may participate in the agency-wide program within the limits of their own particular supervisory sphere. Its raw material is not in endless supply, because it is made up only of the procedures with which the individual supervisor is concerned daily, and its energizing influence derives to a great extent from the enthusiasm which this supervisor can bring to bear on it. Accordingly, while in a broad sense work simplification should be and is a matter of continuing administrative concern, for all practical purposes, its maintenance on any intensively sustained basis depends upon how fast this limited supply of raw material is consumed and how constant is the supervisor's interest in seeing that it is processed through the simplification mill.

That the Bureau was aware of these characteristics of a work simplification program is indicated by the adjusting action taken in certain segments of the Bureau's organization. As soon as a down trend began to manifest itself in a consistent and meaningful way, the Bureau took steps to cut down the program in those offices where it appeared that maximum results had been achieved. Before any wholesale discontinuance of a program that has had such beneficial results occurs, the Bureau makes abundantly sure that it has wrung from it all improvements possible and that the program has actually run its useful course.

It is an almost unbearably frustrating and morale-disrupting situation when a Bureau which not too many years ago was criticized for lack of full management consciousness—but which subsequently has been commended highly by the Budget Bureau and Members of the Congress and other objective investigators for the management advances it has made since that time—is now publicly castigated for having exercised administrative caution before completely discontinuing a program that has contributed so importantly to such advances.

3. The following paragraph also appears on page 63 of the report:

"In the Accounts and Collections Unit, Bureau of Internal Revenue, one administrator reported that he had received verbal instructions to assign 'confusing names' to the various elements of his organization."

Comment.—Established organizational titles are so well known to taxpayers generally it has been the policy to continue existing descriptive titles unless and until they are clearly obsolete or misleading. This is done in order to minimize the burden and confusion incident to revision of statutes, regulations, forms, and

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other official materials. Titles have been changed from time to time in the past when such action was clearly in the public interest and will be changed in the future for the same reason. This policy conforms with the suggestion contained in the investigator's report which reads as follows: "There appears to be no valid reason why these changes cannot be made progressively as the opportunities arise."

As to the comment in respect to the assignment of "confusing names" to the various elements of an organization, it can be stated that such a practice is not the policy of the Bureau and no evidence of such a practice can be found.

4. The excerpt that follows is found on page 77 of the report:

"There is little or no control exercised in the central office over the number or location of these offices. In some units of the Internal Revenue Bureau, this determination is left to top personnel in the field."

Comment.—The implication of this paragraph—that the establishment and location of field offices are not subject to review or control by appropriate departmental officials of the Bureau of Internal Revenue—is incorrect. In the interest of taxpayer service and convenience, the policy of the Bureau is to decentralize its operations and administrative responsibilities to the fullest extent practicable.

Field officers in charge, who are intimately acquainted with local conditions and taxpayer needs, are encouraged to take the initiative in establishing or discontinuing branch offices of primary field offices. The recommendations of such field officials are generally sound. It is to be emphasized, however, that every such action or recommendation by a field officer is subject to review, and either approval or disapproval, by the departmental official having direct administrative supervision over such field office.

General comments.—The report does not charge the Bureau of Internal Revenue with overstaffing. In fact its comments, other than purely descriptive material, in respect to the internal revenue service are very limited. Moreover, it states that no survey has been made of the field operations where over 90 percent of all internal-revenue employees are located. For these reasons it is not believed that anything approaching an adequate analysis of the Bureau's operations has been made. Without such an analysis a completely objective view by the investigators is not possible.

A few passing comments in respect to matters of management indicate an interest in this phase of operations, but without a survey of the field operations where practically the total job is located it is manifestly not possible for the report to serve as any constructive critique of our management programs and their effectiveness.

The Bureau's record in respect to these matters is open for inspection. Much of the record is contained in the official hearings of the House Subcommittee on Appropriations relating to the fiscal years 1950 and 1951.

In reply to the committee's statement regarding the use of management committees you are referred to page 151 of the 1951 appropriations hearing on internal revenue.

There follows a report on the management-improvement plan of the Bureau of Internal Revenue.

REPORT ON OPERATION OF MANAGEMENT IMPROVEMENT PLAN OF THE BUREAU OF INTERNAL REVENUE

The several broad, general areas encompassed by the Bureau's management improvement plan (as distinguished from specific projects) are as follows:

(*a*) Development and implementation of new tax legislation: Attention to the drafting of new legislation and associated administrative procedures, in order to guard against unnecessary collection costs and administrative complexities, is highly important from the management standpoint.
(*b*) Operating procedures.
(*c*) Budgeting and accounting.
(*d*) Program reporting and administrative information channels.
(*e*) Organization, and allocation of functions and jurisdictions.
(*f*) Housing and space utilization.
(*g*) Miscellaneous staff services and functions.

Accomplishments and further plans in respect to each of these 12 major program operating problems are as follows:

1. *Assignment of enforcement personnel.*—Field work under the 1948 tax year audit control program was completed early in the calendar year 1950. The

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information obtained therefrom has been summarized and analyzed in a series of reports which have been distributed to the field officers charged with the responsibility for selecting returns for investigation and audit. A final report of generalized recommendations for returns selection, based on these analyses, is being prepared and will be distributed by December 1950.

Field work on the 1949 tax year audit-control program is now under way. As compared with the preceding year, this 1950 program has been reduced as to the size of the sample, but expanded to include corporation income and certain excise-tax returns. Thus, it is calculated to test the feasibility of the "one shot" audit of returns of two or more classes of tax filed by a given taxpayer (also see Problem No. 3).

2. *Organization of enforcement personnel.*—During the course of the year, the scope of this problem was expanded and its content redefined to cover all questions of organization, including allocation of functions and jurisdictions.

Acting pursuant to the authority vested in him by Reorganization Plan No. 26, the Secretary has conferred upon the Commissioner of Internal Revenue all the powers formerly exercised by the Secretary, the Under Secretary, or any Assistant Secretary of the Treasury with respect to the approval of compromise cases in which the amount involved is less than $500. Also, the Secretary authorized the Commissioner to confer such powers upon any officer or agent of the Bureau of Internal Revenue.

On September 21, 1950, the Commissioner addressed a memorandum to the heads of all operating units and divisions of the Bureau, calling attention to the purpose and effect of Reorganization Plan No. 26, and inviting their recommendations with respect to any areas in which it would be possible and appropriate to delegate authority to a lower operating level. The responses of these operating heads are now being reviewed and coordinated. It is anticipated that additional orders for delegation of authority will be issued during the course of the year.

An important functional revision was accomplished by the Commissioner's order of November 14, 1949, delegating authority to the two Assistant Commissioners. One Assistant Commissioner was authorized to exercise general superintendence over the technical functions of the Bureau of Internal Revenue, and the other Assistant Commissioner was authorized to exercise general superintendence over all operating activities of the Bureau.

In order to expedite the handling of tax-fraud cases, instructions have been issued to all 14 special agents in charge for the establishment of a conference and review section in each division headquarters. Previously this procedure was in effect only in several of the larger divisions. A careful review in this section of tax-fraud cases results in a more expeditious handling of the cases, as only the more flagrant cases in which there appears to be no doubt as to criminal intent are forwarded for prosecution. Others are referred for immediate settlement of the civil liability. This results in a more careful selection of cases for prosecution and eliminates delay in settlement of fraud cases in which prosecution is not instituted.

Two other organizational changes effected during 1950 may be mentioned. The authority over compromise cases previously vested in the Office of the Special Deputy Commissioner was transferred to the technical staff. Second, the withholding tax ruling work was transferred from the Income Tax Unit to the Employment Tax Unit, thus placing all payroll tax ruling work under one Deputy Commissioner.

3. *Coordination of audit efforts.*—This problem is closely related to problem No. 1 and it has been found that the two can be handled most effectively if merged and considered as a single problem. As noted above, the practicability of the consolidated audit procedure is now being tested on a limited scale in connection with the field work under the 1950 audit-control program.

4. *Improved performance of nonenforcement functions.*—As initially defined, this problem covered so many lines of inquiry that it could scarcely be treated effectively as just one problem. Therefore, it has been divided, and hereafter will be treated as two problems: (1) The mechanical-equipment problem and, (2) the procedural improvements problem. Work is continued on a year-round basis to adapt and apply new, improved mechanical equipment to use in the performance of mass office operations. Developments during the fiscal year 1950 included an additional punch card and tabulating equipment installation in the collector's office at Philadelphia; exploratory work on the extension of tabulating procedures in certain accounting and record-keeping operations; installations of electronic computers in several collectors' offices for computation and verification purposes; and experimental installations of a wide variety of

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new types of nontabulating equipment, including electric typewriters with dual platens and high-speed posting machines with direct subtraction and auxiliary equipment.

Plans for 1951 call for three new installations of tabulating equipment; installations on an office-wide basis of major types of nontabulating equipment in two additional collectors' offices; and two additional installations of electronic computers. The 1952 estimates provide for installations of tabulating equipment in five additional collectors' offices, and the equipment of five other collectors' offices with full complements of nontabulating equipment.

Both Public Law No. 261 and Public Law No. 448 authorize the Commissioner to use tax-stamp machines or other devices in lieu of stamps. Pursuant to this authorization, active steps have been taken to develop a machine which would be satisfactory for use in lieu of stamps for alcohol-tax purposes. Such a machine is nearly ready for submission to the Bureau of Standards and, if acceptable, specifications will be drawn and furnished manufacturers as the basis for bids to be submitted by them. Considerable work has already been done toward the drafting of regulations for the use of tax-stamp machines for paying the tax on fermented malt liquors, rectified spirits, and distilled spirits.

The efforts to develop more effective and economic procedures proved highly fruitful during 1950. The more important new procedural provisions may be identified as follows (the numbers shown refer to specific items of Commissioner's mimeographed instructions):

Nos. 6411, 6412, 6413, and 6431 provide uniform assessments lists procedure and authorize the discontinuance of the preparation and submission to the Bureau in Washington of duplicate assessment lists for all classes of internal-revenue taxes.

No. 6453 extends the authority from $1,000 to $10,000 to collectors to abate, credit, and refund all internal revenue taxes in accordance with Public Law 271, subject to subsequent instructions.

No. 6454 provides instructions for collectors to determine, assert, and abate for reasonable cause delinquency penalties in amounts not exceeding $10,000 in all internal-revenue taxes.

No. 6455 provides instructions for collectors to schedule and allow abatements, credits and refunds resulting from the audit of agents' cases involving individual, fiduciary, estate and gift tax returns in amounts not exceeding $10,000. (Previously, collectors were restricted to overassessments of $1,000 or less involving individual income tax returns only.) By amendment No. 1, collector's jurisdiction was extended to corporation tax returns involving overassessments not in excess of $10,000.

No. 6469 contains instructions that partnership returns should no longer be forwarded to the Bureau for the purposes of obtaining statistics and selecting returns for investigation. Agents now classify and select such returns in the collectors' offices.

No. 6517 provided for the computation of interest by collectors on overassessments scheduled by the Bureau and the allowance of such interest as a credit against any tax due from the taxpayer. Under prior procedure the collector applied only the overassessment of tax against outstanding tax and billed the taxpayer for any balance due. The interest on the overpayment of tax was later refunded to the taxpayer.

Pursuant to Public Law No. 261, the regulations governing the procedures relating to fermented malt liquors were revised. The main purpose of the revision in law and regulations was to change the point at which the tax on bottled or canned beer would be collected. The effect of this change is that claims for the refund of tax paid on unsalable beer at the brewer's bottling house and covering beer lost in bottling have been eliminated.

Pursuant to Public Law No. 448, Eighty-first Congress, regulations covering procedures relating to distilled spirits were rewritten. The new regulations provide that spirits removed from internal revenue bonded warehouses may be gaged in bulk gaging tanks. This should, in time, eliminate approximately 75 percent of all individual gaging. The law also eliminated the statutory schedule of loss allowances and will, therefore, have the effect of eliminating many remission claims which have heretofore been filed under the previous requirements. In providing for pipeline transfers of distilled spirits as well as for tank car and tank truck removals, the methods of handling spirits have been greatly modernized and will be of great benefit to both the industry and the Government.

An example of another type of procedural simplification is the revision of the basic regulations covering the alcohol-tax field. Formerly these regulations were contained in 30 volumes, and it was a serious problem to keep them current for

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ready reference. After much study, it was concluded that the most economical and satisfactory solution was to arrange with a private publishing company to print these regulations in loose-leaf form and maintain them on a current basis. This arrangement was made, and 2 loose-leaf volumes have now replaced the 30 volumes and a multitude of Treasury decisions with much saving of time of Bureau officers and greater convenience to both officers and taxpayers.

Other important procedural changes for which orders and instructions are now in the process of preparation include the following:

Decentralization of authority to collectors to process and schedule for allowance the bulk of all miscellaneous tax abatements, credits, and refunds.

More streamlined and expeditious procedures for processing offers in compromise and obtaining final action on such offers.

The selection for investigation of fiduciary and corporation tax returns by revenue agents in field offices without references of these returns to Washington and their return to the field, and also a more uniform procedure for selecting and investigating these types of returns.

A uniform system of acknowledging correspondence with taxpayers and their representatives, with a view to improvement in taxpayer relations.

The introduction of four 30- and 90-day notices to advise taxpayers of the results of audits, in lieu of 31 form letters now in use; 3 closing-agreement forms to replace 8 now in use; and uniform instructions to taxpayers relative to their appellate rights and protest procedures.

5. *Inadequate housing.*—During 1950 several housing "sore spots" of long standing were eliminated in the field by securing integrated and reasonably adequate quarters. A series of modern floor plans were prepared for use in the design of future public buildings. Close liaison is maintained with the Public Buildings Service in order to obtain all possible benefits from periodic adjustments in the housing of Government offices throughout the country. Forward planning work on the housing problem is being done in full cooperation with Treasury housing officers and the Public Buildings Service.

This project has been redefined to include the broad aspects of the space-utilization problem. In Washington a space survey has been completed, and a test rearrangement is now underway in one division with a view to determining the most economical use of space. A report on space inventory and its utilization was made by each field office and submitted to the Bureau during June 1950. These reports have been summarized and are now being analyzed with a view to determining the best methods and patterns of space utilization that can be devised. When completed, appropriate instructions will be prepared for transmission to field offices.

6. *Training of enforcement personnel.*—Work-simplification "appreciation lectures" are now being given, both in Washington and in the field, as a part of the regular course of instruction for new revenue agents. Also, plans are in the developmental stage for expanding the instructions in regard to taxpayer relations in the training of all new enforcement personnel.

Mention may also be made of another type of training activity. At irregular intervals, but frequently, the Bureau is visited by officials and students of taxation from foreign countries who wish to learn as much as possible about our methods of tax administration. It is important that all cooperation and aid be extended to such visitors, but it makes heavy demands on the time of Bureau officials to do so. In order to reduce this burden somewhat, and also to facilitate the process of imparting information to visitors, an exhibit room has been established and equipped in the Internal Revenue Building. Modern techniques of visual presentation have been utilized to develop the story of the Bureau's operations with maximum clarity, forcefulness, and accuracy. This room is also proving helpful in the process of indoctrinating new employees.

7. *Destruction of obsolete documents.*—The problem of planning the destruction of obsolete returns and records has proven to be larger and more time consuming than had been anticipated. The inventorying of all departmental and field records is nearing completion; the information thus obtained will be the basis for formulating a complete program for the orderly and continuing disposal of obsolete items. During 1950 some 68,000,000 individual income, fiduciary, and partnership returns were destroyed, thereby bringing to a current basis the Bureau's program of destroying all returns of these types after a 6-year retention period. Likewise, inactive and semiactive records are being moved in increasing volume from office space to less expensive storage or warehouse type of space. The stepped-up microfilming program is progressing smoothly. During 1950 approximately 167,000,000 index cards and Forms SS–1a and W–1 were micro-

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filmed. Filing cabinets with an estimated value of $335,000, and floor space with an annual rental value in excess of $67,000, have been released in consequence. The microfilming program is being pushed ahead at an even greater rate during 1951.

8. *Decentralization of routine functions.*—The major objectives of this program have now been attained in large part. Pursuant to schedules now in effect, the process of shifting work from Washington to field offices will continue during 1952. The necessary staff planning work should be completed during 1951, however.

Pursuant to the policy of delegating authority to field personnel, the alcohol-tax regulations were revised so that district supervisors are now authorized to take final action on the qualification of industrial alcohol plants, industrial alcohol bonded warehouses, industrial alcohol denaturing plants, registered distilleries, fruit distilleries, internal revenue bonded warehouses, tax-paid bottling houses, and rectifying plants. They are also authorized to approve alternating operations of industrial alcohol plants, fruit distilleries, and registered distilleries. The procedure for alternating proprietorships of such establishments has been simplified with the elimination of Forms 124, 125, 26, 1431, 27½ and 27–A and the substitution of a simplified Form 1696.

Again, the audit review of a large number of alcohol tax reports previously submitted to the Washington office has been eliminated. Submission of some reports to the Deputy Commissioner's office has been discontinued, and in other cases such reports were simplified. In the future, reviews of district supervisors' reports will only be made as an incident to the examination of supervisors' offices by field examiners.

Other examples of decentralization orders issued during 1950 have appeared above under the heading of problem No. 4.

9. *Budgetary record controls.*—The content of this problem has been extended to include improvements in the Bureau's accounting records and procedures. In line with this expanded scope, and at the request of the Commissioner, a comprehensive survey was made of the Bureau's budgetary and accounting processes by a representative of the Treasury Department's budget officer and a representative of the Bureau of Accounts. Their report and recommendations were submitted on January 25, 1950. A number of their secondary suggestions have now been put in effect. Their primary recommendation was for a far-reaching revision of the Bureau's organization of budgetary and accounting work and related procedures; plans for implementing this proposal are now well advanced and should be in effect by the end of this calendar year.

By the Commissioner's order of November 14, 1949, for delegation of authority, responsibility for coordinating the estimates of fiscal needs was vested in the Assistant Commissioner in Charge of Operations and the management staff. Accordingly, the 1952 estimates of each operating unit were analyzed with the heads of these units by the Assistant Commissioner and management staff members, together with the Bureau's budget officers.

The list of five activities appearing in the 1951 budget estimates has been revised and expanded to the eight-activity classification appearing herein. This revised activity classification is facilitating greatly the task of analyzing and evaluating the needs of the Bureau.

As a pilot operation, an office has been set up in Boston to handle disbursement accounting functions on a centralized basis for the local internal revenue offices in that city. If this proves successful, similar centralized fiscal offices will be set up in other appropriate cities.

Every Bureau employee has been assigned to the proper budget activity, and this assignment of personnel by activities is carried as a regular part of the payroll accounting records. This complete integration of personnel costs with activity records is an important forward step not only for budgetary purposes but also as a source of valuable information for administrative management purposes.

Substantial progress has been made toward placing the reporting of incurred obligations on an accrual basis. Further, every obligation item reported is now being assigned directly to the proper activity category.

10. *Review of the Revenue Code.*—The concept of this problem has been enlarged to include the development and implementation of new tax legislation. Effective work in these areas is highly important for over-all management purposes. If appropriate attention is given to administrative considerations when new tax legislation is in the drafting stage, the revenue collection is made more certain, and unnecessary or excessive costs of administration can be averted. Also, if regulations, return forms, and taxpayer instructions are drafted as simply and

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clearly as possible, important gains result by way of higher voluntary compliance, better taxpayer relations, and reduced administrative costs.

During the past year, representatives of the Bureau participated actively in the development of Public Laws 814 and 734. Similar participation is now being had in the development of prospective excess-profits-tax legislation.

Review of the Revenue Code to develop recommendations for improvements in administrative matters is a continuing activity. Lists of recommended changes in the administrative provisions of the code are prepared and submitted periodically for consideration in the Treasury. Appropriate follow-up steps are taken after Treasury review and approval.

One recent development is significant. Six field offices have been designated as focal points for channeling information to Washington in respect to desirable legislative changes. Specifically, one reviewer in each of six internal revenue agents' divisions has been given responsibility for the selection of cases which demonstrate the need for statutory modifications. These six men will meet quarterly in Washington with Treasury officials and members of the Commissioner's management staff responsible for the development of tax legislation. The over-all objective is to reduce the obsolescence in the taxing statutes in relation to the actual current situation. This represents the first systematic attempt to focus the knowledge and talents of field officers on the problem of keeping the taxing statutes current.

11. *Development of procedure under Public Law 271.*—With but one exception, all necessary steps for implementing the administrative provisions of Public Law 271 had been taken by the close of fiscal year 1950. This exception relates to the provisions of section 7 in respect to the collection of excise taxes. No action is currently under way in this area, pending clarification of the over-all aspects of the excise-tax situation. Therefore, and since only a minor part of the original problem is involved, this project is reported as completed in 1950.

12. *Exploration of cooperative Federal-State audit possibilities.*—Arrangements were made for active cooperation during 1950 between Bureau and State enforcement officers with two States, Wisconsin and North Carolina. In both States, the area of cooperation is the investigation of income-tax returns. The operation and results of these initial attempts will be studied in order to identify possible improvements in the pattern and methods of Bureau-State cooperative enforcement. It is planned to extend these cooperative efforts to additional States as rapidly as may be determined to be feasible in the light of local circumstances.

UNITED STATES COAST GUARD

Reference: Pages 75–76 of committee report.

Following is the situation with respect to the inference that the ratio between officer and enlisted personnel in the Coast Guard does not compare favorably with similar ratios for other military services:

As of December 6, 1950, the on board military personnel strength of the Coast Guard included 2,121 commissioned officers, 838 chief warrant and warrant officers, and 22,478 enlisted men. The ratio of commissioned officers, therefore, is 1 to 10.6 in lieu of the 1 to 9.6 claimed in the report and 1 to 25.6 in lieu of 1 to 24 for warrant officers.

The number of commissioned officers given above includes those engaged in merchant marine functions. As these officers have no enlisted counterpart the percentage of officers to enlisted personnel is of necessity higher than that prevalent in the Coast Guard before the war. Even including the merchant marine inspection officers the ratio of the number of commissioned officers in the Coast Guard to the number of enlisted personnel compares very favorably with the situation in the other services as is shown below:

Air Force (October 31, 1950)[1] 1 commissioned officer per 7.03 enlisted men.
Navy (June 30, 1950),[1] 1 commissioned officer per 8.09 enlisted men.
Army (October 31, 1950),[1] 1 commissioned officer per 9.67 enlisted men.
Coast Guard (December 6, 1950), 1 commissioned officer per 10.60 enlisted men.

The Coast Guard does have a higher proportion of warrant officers to enlisted men than do the other services but this situation is necessary due to the many small scattered command units in the service.

The Coast Guard has carried out a general career plan for the rotation of officers which provides officers the opportunity to obtain broad field experience before assuming administrative responsibilities at headquarters. The lack of a fixed

[1] Latest dates on which unclassified information is available.

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policy on the rotation of officer personnel is not only acknowledged but is believed to be a definite asset in the efficient administration of the service. It is not believed that an inflexible rotation policy is the rule in any other well-run Government agency or business enterprise.

The allegation of overgrading and overstaffing of military personnel at headquarters is not concurred in. It is believed that a full and careful analysis would show that the responsibilities and actual workload required for the administration of the far-flung and diversified activities of the Coast Guard would indicate headquarters offices are generally undergraded and understaffed rather than the reverse.

Table 9 of the report is used to show comparative costs between military and civilian personnel in order to support a contention of "* * * a measure of the extravagance which prevails in obscure places."

The spread between the military and the civilian salaries shown in table 9 is by no means unreasonable as the work performed by individuals within the two groups is not similar in any way. Military personnel in the Coast Guard, as in the other military services, are generally employed in an executive or supervisory capacity. Civilians on the other hand comprise the bulk of the stenographic, clerical, and semiprofessional force working under supervision of the military.

Reference: Page 70.

Insufficient credit is given in the report to the progressive steps taken by the Coast Guard to establish, develop, and make practical use of a modern cost accounting system. This system is for use not only in the Coast Guard and Treasury Department but also as a guide in the establishment of cost accounting systems in all Government agencies as required by the Budget and Accounting Procedures Act of 1950. This program is making rapid progress although a few of the phases are still in the testing and development stage. Progress has not, however, been limited to the strictly technical side of the program. The Commandant has taken strong steps to indoctrinate all personnel in the service in the practical aspects of the use of the cost accounting system to improve the economy and efficiency of the public services required of the Coast Guard.

The statement in the report that "one group suggests that a property inventory upon which accounting control can be based be taken immediately; the other faction claims that a physical inventory will not be immediately necessary" is not understood. The position of both supply and accounting personnel is that the taking of immediate inventory would be ideal but that it was not necessary to wait until complete physical inventory had been established to begin accounting for receipts and issues from stores. A complete property inventory upon which accounting control can be based has been in progress for some time; in the meantime, it was mutually agreed by accounting and supply that the accounting system would provide for the recording of receipts and issues of stores at the date that the districts were converted to the new accounting system, and that when the inventory was finally determined an adjustment would be made to the balance sheet account maintained for inventory which would establish complete accountability at that date.

Reference: Page 74.

Development of a modern type of supply system has been in progress concurrently with the development of the accounting program. The working relationship between the two programs is considered to be not only well defined but has operated on a basis that provides the necessary coordination between these two functions. The agreement existing is that the Supply Division will be responsible for the development and operation of systems and procedures relating to the maintenance of stock record cards for each item of stock and dollar control of these cards by class of commodity. The Accounting Division would be responsible for the development and operation, as a part of the total accounting system, of a single control account for inventory at each designated location and the distribution of issues from inventory to the cost accounts receiving the benefit of such issues. In order to coordinate these two operations and thereby provide for reconciliation of the control accounts maintained by the Supply Division with the single control account maintained by the Accounting Division, a system has been in operation of reporting to the accounting office all receipts and issues of stock by the supply activity. The system has been found to adequately provide for the necessary coordination between these two functions.

In discussing the use of private management firms to make special studies the report notes that there has been a time lag between the receipt of the report of a survey and the implementation of recommendations therein. In regard to the survey by Ebasco Services, Inc., the Coast Guard found that many of its recom-

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mendations were very general and required extensive supplemental survey before the specific details could be developed and final implementation realized. Many involved not only the practices of the Coast Guard but extended to other agencies or required congressional action with respect to appropriations or enabling legislation. The report also states that the value of the recommendations made by private management firms was impaired or entirely lost because of an elaborate system of processing. In this regard, attention is called to the fact that within 2 years after the Ebasco study had been completed, the status of the 193 recommendations made was as follows:

Accepted and completed	56
Not accepted after careful study	25
Accepted and instituted but requiring continued effort	48
In process of implementation	46
Implementation contingent upon enabling legislation or appropriation of funds	10
Legislation pending	1
Under study, requiring lengthy investigation	7
Total	193

Reference: Page 75.

The statement cited in the report regarding the disposition of Jersey City Supply Depot fails to quote the entire recommendation made by Ebasco Services, Inc., and thus gives the impression that immediate action should have been taken to dispose of this property. The Ebasco recommendation states that "these properties should be sold after the district supply depots have been improved, consolidated, or expanded, as the logistical situations dictate."

The Commandant of the Coast Guard and the Secretary of the Treasury considered that the recommendations concerning the establishment of district supply depots and the elimination of the present supply depot at Jersey City, N. J., could not be properly evaluated until a detailed study of sources, distribution factors, and requirements was made for the many diverse groups of items used by the Coast Guard as related to the geographical location of Coast Guard units. As the result of these and other recommendations regarding the supply problems of the service a supply specialist (Capt. J. H. Skillman, USN, retired) was obtained in March 1949 to act in a capacity similar to the accounting specialist recommended by the Committee on Appropriations of the House of Representatives.

After careful study Captain Skillman recommended to the Commandant by letter dated June 16, 1949, that the Jersey City Supply Depot should not be vacated until after the construction of a more suitable building in a different location. As the construction of a new building will require the enactment of legislation authorizing an expenditure of public funds in the amount necessary for the purpose it is not known at this time a possible date on which the Jersey City Supply Depot can be disposed of. In the meantime the Coast Guard must use this available building even though it is ill adapted for its purpose. The facts concerning the Jersey City Supply Depot are well established in the hearings before the subcommittee of the Committee on Appropriations, House of Representatives, Eighty-first Congress, second session, January 1950.

The establishment of the district supply depots has been progressing, throughout the past year and a half, in an orderly and realistic manner. At the present time all supply depots have been commissioned and are in operation except two (which will be in operation not later than April 1, 1951).

Reference: Page 71.

Table 7 of the report makes a comparison stated to be the relative cost of purchasing operations of each organization in the Treasury Department. It gives an apparent picture of an extremely high average cost of issuing purchase orders in the Coast Guard compared to the other organizations listed. A statement below the table partially explains the reason for the higher unit cost in the Coast Guard, but fails to acknowledge the different types and numbers of procurement items which may be required to carry out the various and different types of operations peculiar to each department. (For example there may be considerable difference between departments in the number of straight purchase orders versus contract procurement orders.) There is a wide difference in the time required to issue a straight purchase order for an item listed in a standard catalog and the time required to process an order on an individual contract basis. As there has been no attempt in the table to differentiate between the two types of purchases

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for any department, it casts serious doubt on the value of the comparisons given and on the conclusions reached. An assumption that the ratio between dollar volume and personal services cost was a fair basis of comparison would probably be just as valid as a comparison between departments on a cost per purchase order basis when two such widely differing types of purchases are arbitrarily added together.

The report briefly points out how the Coast Guard system of having headquarters perform a great deal of the details of procurement and other purchasing operations for the field tends to increase the unit purchase cost. Had the following statistics (which were also furnished to the investigator) been used, the over-all picture of Coast Guard procurement, both at headquarters and in the field, would have shown:

Purchase orders

Number issued	131, 961
Dollar value	$47, 177, 372. 51
Percent under $20	28

Employees engaged in issuing purchase orders

Number of employees	149. 1
Total cost of personal services	$570, 004. 17
Yearly average per employee	885
Daily average per employee	3. 49
Average cost	$4. 32

BUREAU OF CUSTOMS

Management improvement program (references on pp. 61, 62, 72, 74, and 93)

The principal thread and theme of management improvement espoused by the committee report is that the approach should be of the "management expert" type, in the Secretary's office, rather than by supplying of leadership and incentive from the Secretary's office to intermediate and "grass roots" administrative personnel who have been permeated with the desire to improve management.

The committee's philosophy is contrary to that contained in title X, Public Law 429, Eighty-first Congress, October 28, 1949, concerning "Management Improvement Plan and Awards." It also is significantly different from the techniques used in making, evaluating, and implementing the Hoover Commission studies. The committee's report admits the management expert approach would require a full-time facility. One of the principal advantages of the Treasury Department's approach to management is that, without a direct outlay for salaries, a larger number of employees who are detailedly familiar with the technical aspects of problems confronting them, and therefore in an excellent position to sugsget remedies, can be used on a part-time basis.

Under the Treasury system, the number of minds that can be brought to bear on a problem, the soundness of results, and, through the committee system, the sounding-board approach to screening results, have infinite advantages over the efficiency-expert system of management. Regardless of the caliber and the diversity of knowledge of an expert type staff, they are never able to spread themselves thin enough, nor to understand well enough the requirements of highly technical laws, regulations, and procedures dealing with a great complexity of administrative problems to develop panaceas. For example, in the Customs field, the visiting management expert, in order to make a sound recommendation for improving laws, regulations, or procedures concerning countervailing duties, would have to himself become detailedly familiar with the laws, regulations, histories of the laws and regulations, practical problems of operating under these laws and regulations, and many other matters which would require intensive study, training, and deliberation. He would have to jump from this specialized field into the many procedures dealing with dumping duties, entry of merchandise, classification of merchandise, valuation of merchandise, etc. In order to make constructive recommendations concerning each of these fields, he would have to become expert in each field. Short of this, he would have to rely on his judgment of the intelligence, integrity, ambition, and thoroughness of study made of these matters by experts in the field. This is precisely what is done through the task force and steering committee procedure followed in the Treasury Department.

Note: This approach to Mgt has been proven

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On page 74 of the committee's report, the following paragraph appears:

"If for example, a management study is made of some phase of the work in the Customs Bureau, that agency will be obligated to appoint committees to consider the merit of the management report. Each committee will include a major proportion of Customs personnel and they may accept, reject, modify, or make new recommendations at will. This second set of recommendations will be reported to the Commissioner of Customs and to the Secretary of the Treasury usually through the departmental management committee who also has the general privilege of a third acceptance, rejection or modification. From this point, the subsequent action is entirely voluntary, and in many cases no decisive action is taken. In this system, in the example cited, the Customs Bureau is both the accused and the jury. The prosecution, if any, is not very effective." The results achieved by this committee system will be discussed later. It suffices to say that results achieved were not delved into by the staff of the overstaffing committee and therefore the effectiveness should not have been commented upon.

The system used in evaluating the McKinsey & Co. management survey of the Bureau of Customs admittedly was a committee system. It utilized the same techniques which were followed by the Hoover Commission in its study and analysis of the Federal Government. The report rendered by McKinsey & Co., which consisted of nine chapters contained in eight volumes, was systematically divided into related functional subject matter areas. These functional areas were as follows:

1. Entry of Merchandise.
2. Inspection of Merchandise.
3. Liquidation Activities.
4. Drawback Activities.
5. Marine Activities.
6. Customs-Immigration Activities.
7. Classification-Appraisement of Merchandise.
8. Statistical Controls and Material Handling.
9. Auditing and Accounting.
10. Investigation and Enforcement.
11. Port Patrol and Searching.
12. Air Activities.
13. Public Educational Material.
14. Reimbursable Services.
15. Organization of the Bureau of Customs.

The Secretary's office in all cases supplied the leadership for the securing of congressional authorization to make this study, for the selection of the management firm making the study, for the determination of the functional areas into which the study should be channeled, and in the selection of task force and steering committee personnel to evaluate the study. The task force members, admittedly secured largely from staff in the Bureau of Customs, were hand-picked because of their known qualities of familiarity with the specific subject to be studied, broad vision, initiative, and desire to improve the administration of the Customs Service.

The committee criticizes the necessity for making further studies and evaluation of the recommendations of, for example, the McKinsey & Co. management firm. McKinsey & Co. itself recognized the need for checking their recommendations in this highly technical and specialized field against field operating conditions and pointed this out in their report. Further, many of the most significant results achieved to date have been due to alternative plans and suggestions developed during these studies or during pilot installations set up to test the soundness of the recommendations. These matters could not be mastermin ded from Washington, nor were sufficient numbers of independent personnel available, nor are they now or will they in the future be available, to study the details of these diverse recommendations. Further, many of the matters resulted in legislative recommendations and it was determined to be necessary to thoroughly and carefully screen such recommendations before submitting them to the Congress so that this Department can assure the Congress of their soundness.

The task forces made their reports on the definite recommendations assigned to them. These reports, available in writing to the steering committee, were further presented orally to that committee. The committee was composed of top staff of the Treasury Department; it variously included the Assistant Secretary, the Administrative Assistant Secretary, the Treasury Budget Officer, Assistant General Counsel, and the Commissioner of Customs. An opportunity was afforded this steering committee to ask questions concerning the procedure, the results which would be accomplished, the soundness of the recommendation, and

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possible alternatives which occurred to these "experts." In many cases, the recommendations were returned to the task forces for further study and in an attempt to develop a better way to solve the problem.

After the steering committee had determined on a course of action, its recommendations were sent to the Secretary's office for approval. If approved by that office, they were sent to the Bureau of Customs for implementation.

The overstaffing committee's report indicates in this system the Customs Bureau was both the accused and the jury. It is further alleged that the "prosecution, if any, is not very effective." It will be seen from the above that the Bureau of Customs, which had employees familiar with the subject matter of each recommendation, was given an opportunity to recommend definitively suggestions to solve the problems. If the solutions suggested by its task forces, the members of which had been appointed at the request of the Secretary, were not an effective answer to the problem, the Secretary's office had, and exercised, the opportunity to detect and control the situation.

As a matter of fact, however, this system had been exceptionally effective. The results achieved by the Customs management improvement program can be shown two ways:

(1) From 1947 to July 1, 1950, Customs workload had increased more than 45 percent. During the same period the number of Customs employees had been decreased by 5 percent.

(2) The following table gives in statistical form the over-all results achieved under this constructive approach to the evaluation of the McKinsey & Co. report.

Summary status of recommendations through Dec. 1, 1950—Management improvement program, Bureau of Customs

EVALUATION OF McKINSEY & CO. REPORT

	Legislative	Administrative	Total	Percentage
Total recommendations	36	141	177	100.0
Evaluated:				
1. Evaluated as acceptances	33	119	152	85.9
2. Evaluated as rejections	3	22	25	14.1
Total evaluated recommendations	36	141	177	100.0
Unevaluated	0	0	0	0

McKinsey & Co. realized that their recommendations would not prove to be 100 percent sound. Further, they estimated that the job of implementing their report would require a 5-year period. We are ahead of this schedule in the Bureau of Customs.

In summary, the Treasury Department uses the technique of expert leadership from the Secretary's office and provides for effective review and control of the management improvement program from that level. The system realizes the futility, however, of believing that constructive ideas and maximum effectiveness can be achieved solely by the employment of a staff of experts in Washington. Enlisting the assistance and cooperation of Bureau employees is the only effective means of harnessing sufficient manpower with knowledge of the problems to accomplish the maximum management problem identification and improvement.

Nomenclature (reference on p. 63 (2))

Several comments are made in the overstaffing report concerning ambiguous nomenclature; and, in fact, an intent to be evasive and obscure is alleged. As far as Customs is concerned, we do conform reasonably to the nomenclature system proposed by the Senate Expenditures Committee. To the extent that we do not conform—names, titles, and organizational identification either have a long traditional history recognized by the public or otherwise find their genesis in something other than an attempt to be ambiguous and to obscure.

Personnel management (reference on p. 64)

With respect to the criticism of personnel management in the Treasury Department, Customs simply wishes to say that the quality, timeliness, and assistance given by the Department would seem to leave little room for improvement. Under the leadership of the Treasury Department, personnel operations have

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Yet Admits that 85.9% of recommendations were

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b:en decentralized and much "paper shuffling" has been eliminated. The policy-p anning assistance rendered by the departmental staff from day to day is believed tc be a sound approach to personnel management.

F scal management (reference on p. 70)

The statement is made that "the only limitation exercised over service functions and program operations takes the form of the question, 'Do we have the money?' If so, the expenditure proceeds."

Customs wishes to point out that requests for personal services or for other objects of expenditure are carefully screened. It has, of course, been generally true in recent years that many needs considered to be essential could not be financed from the funds available; and, therefore, the fund aspect was controlling. However, the other test, "Is the proposed expenditure essential?" is always applied by Customs.

G neral services (reference on p. 70)

In an organization which is as large as Customs and which has as many field offices as Customs, it is believed to be more economical and more efficient for not only the Bureau to procure its own services but, as a matter of fact, for the field to procure most of their own services. The point of supply, the time element, the nature of the services contracted for by Customs, and the general spreading of the workload indicate that the present system, with some modifications which are currently being made, is the best answer to the services problem.

The implication behind the Overstaffing Committee's report is that centralized necessarily means more efficient and less costly operations. Particularly in the services field this is not always true. For example, on a purchase order, the time involved to complete the order for a local purchase of supplies, which are not available from the General Services Administration supply centers, would not be much greater than to prepare a requisition for forwarding to a central supply service.

In addition, the central office would then have to make out the purchase order and, in many cases, procure the item from a local source of supply at the field-office location. On the other hand, items which can best be supplied by a central service are handled that way by Customs.

Field service

On pages 76 and 77 of the Overstaffing Committee's report, Treasury is criticized in general terms apparently for the number of field offices it has and for the lack of control exercised in the central office over the number or location of these offices.

Customs field offices have been and are established for one purpose: to serve the needs of importing and traveling public. If business volume is not sufficiently great to justify the retention of an existing field office, this Bureau recommends abolition of the office. Very often there is a difference of opinion on this matter. Political and civic interests often believe that a field office must be retained even when Customs, from an administrative point of view, believes otherwise. The necessity for permitting the importing and traveling public to conduct their business with Customs at a point along the border, and in some cases in the interior, where other requirements of shipping and commerce are met, has rarely been questioned.

As to the control exercised centrally over the number and location of these offices, the amount of service, the amount of revenue, the volume of transactions, enforcement needs, and other matters are carefully considered in establishing or abolishing any Customs field offices. Each port of entry is approved by the Commissioner of Customs and Secretary of the Treasury before it is established. Even the establishment of a customs station is approved by the Commissioner of Customs.

Within the past 2 years we have, moreover, consolidated administrative service functions where more than one branch of the Customs Service is located in the same city. This program is continuing and it is expected to be completed by June 30, 1951. Customs has further consolidated its mail divisions under the jurisdiction of collectors of customs in 10 major customs ports, and this program is also continuing.

FISCAL SERVICE

The Fiscal Service was created in 1940 by Reorganization Plan III, under authority of the Reorganization Act of 1939. This reorganization plan brought together as a working unit the three fiscal bureaus of the Treasury dealing with accounts, deposits, disbursements, investments, public debt, and Treasury funds.

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The bureaus thus consolidated in the Fiscal Service are the Bureau of Accounts, the Bureau of the Public Debt, and the Office of the Treasurer of the United States. Supervision of their functions is exercised by the Secretary of the Treasury through the Fiscal Assistant Secretary.

The creation of the Fiscal Service was the result of careful study of Treasury activities by the Bureau of the Budget and the Treasury Department. Its purpose was to bring about closer coordination of the interrelated functions of these three bureaus engaged in carrying on the daily financial operations and their relations with the banking system of the country. This purpose has been accomplished. It has been clearly demonstrated through the money savings that have been effected.

At the present time the total number of employees in the three bureaus of the Fiscal Service is 9,051, which is 381 less than the number on the rolls as of the date the Committee's figure of 9,432 was compiled. Without allowing for this reduction, the report suggests that there could be a saving of 1,575 employees if the recommendations of the Committee should be placed into effect. The difficulties in dealing with the fiscal management section of the Committee's report are manifold:

First, the procedures and interrelationships of the many fiscal activities are of a highly complex and technical character and are governed by laws enacted by the Congress over a period of more than 160 years.

Secondly, many statements in the report indicate a fundamental lack of knowledge on the part of the authors of the report concerning these interrelationships.

Thirdly, there is manifested not only a lack of knowledge concerning personal accountability of Government officials in the handling of Government funds and securities, but also, in a larger sense, the accounting for stewardship to the American people who support the Government through the taxes which they pay.

Fourthly, the report does not set forth sufficient details on each recommendation nor correlate the estimated personnel savings with such recommendations as to enable a constructive appraisal of the indicated overstaffing figures.

Fifthly, although briefly referred to, adequate recognition has not been given to the work now being done jointly by the Treasury Department, the General Accounting Office, and the Bureau of the Budget to improve procedures, under authority of the Budget and Accounting Procedures Act of 1950.

The Committee recognized and expressed faith in the integrity of the Government's fiscal accounts in the following words:

"The criticisms contained in this report should not be construed to reflect upon the consummate record that the Department maintains as the fiscal center of our Government. Its reputation in this endeavor is an enviable one, unmatched throughout the history of governments."

Unfortunately, the Committee placed itself at considerable disadvantage when it did not take the opportunity to receive testimony or explanations from the Treasury Department on the matters reported to it by its investigators. Many years ago one of our early Comptrollers said:

"Government business is not the work of a day, or even the lifetime of any person. It is a continuing business; and prudence, as well as experience, dictates such a persistency in records as will leave to future officers a record that will enable them to ascertain what their predecessors have done, and the reasons for their actions."

Changes in fiscal procedures and record keeping, therefore, must not be considered lightly or made inadvisedly, but carefully and discreetly, and only when there is a full knowledge of the facts and implications. Inquiries as to the time devoted by the investigators to a study of the fiscal and accounting procedures in the Treasury have brought the amazing information that the total number of hours spent with the responsible officers and employees of the Fiscal Service was approximately 40 hours. Undoubtedly the Committee's investigators had available a great deal of source material such as organization charts, budget documents, and hearings before the Appropriations Committee, but, as is well known, Government activities are not static, and therefore it is not believed that the time spent with Treasury officials was sufficient to give to the investigators all of the information which they should have had before reaching their conclusions.

As an illustration of the misunderstanding of Treasury procedure the Committee states on page 81 that—

"After an appropriation is passed by Congress, signed by the President, and certified by the Secretary of State, the Bureau of Accounts issues an appropriation warrant which, when countersigned by the Comptroller General, directs the Treasurer to set up on his ledger accounts a sum of money in the amount authorized by the appropriation act."

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Actually, accounts of appropriations are not maintained in the Office of the Treasurer of the United States except, of course, those relating to the Treasurer's own expenses.

On page 82 the report states that checks paid at Federal Reserve banks are returned to the disbursing officers or to the Treasurer of the United States for examination and account reconciliation. Actually, the large percentage of Government checks are paid for the Treasurer at the Federal Reserve banks and when paid are sent by the Federal Reserve banks directly to the General Accounting Office.

On page 90 the Committee suggests that the appropriation warrant might be dispensed with and that it would be "entirely realistic and practical" to post appropriation accounts directly from the law. This suggestion is neither "realistic" nor "practical," as is evidenced by the many decisions which the Comptroller General has rendered in the past on the question of whether a particular provision of law does or does not make an appropriation. The appropriation warrant is the legal accounting document through which the Secretary of the Treasury and the Comptroller General indicate to the accounting offices of the various departments their agreement with respect to the availability of public money, and the warrant is their authority to establish an appropriation account on their books under the cited provision of law.

On page 84 the Committee states:

"Some money is deposited directly to the account of the disbursing officers and placed in their accounts by appropriation warrants."

Actually, no money is placed in disbursing officers' accounts by appropriation warrants.

On page 90 of the report the Committee apparently questions the propriety of our present statutory system under which "the Treasurer remains accountable for the funds (credited to the disbursing officers' checking accounts) even though they may have been transferred to a disbursing officer under separate and additional accountability."

This indicates a lack of comprehension as to the separate and distinct responsibilities of disbursing officers, as drawers of Government checks, and the Treasurer of the United States as the drawee of the checks. Each officer, obviously, has a separate bonded responsibility.

On page 91 of the report there appears the following statement:

"More thought should be given to the suggested system of certified vouchers which could be paid directly by the Federal Reserve Bank System. This would eliminate the use of the checks in the payment of nonrecurring obligations. The refinement and adoption of this plan would eliminate at least half of the work of the disbursing officers."

Since payments to Government creditors must be made in a form which they can either cash or deposit in commercial banks, the work of drawning the checks would have to be done either by the Federal Reserve banks or in the governmental agencies. Thus it would merely shift the expense to the Government of drawing checks from one place to another. If the proposal contemplates the use of a combined voucher-check form, the adoption of such a procedure involves such complications as to require much more study than could possibly have been given the subject by the investigators.

On page 88 the report states that "the Register keeps accounts on the issue and redemption of securities which are also kept in the Bureau of the Public Debt."

The Register does not keep any accounts on the issue of public-debt securities. He does keep a numerical register against which are posted redeemed securities, but this register in no sense is duplicated in any other activity of the Bureau of the Public Debt.

On page 91 the report states that "The Division of Bookkeeping and Warrants keeps too many detailed accounts. All of their accounts except those used for central control and general ledgers should be eliminated."

The detailed accounts referred to are undoubtedly the accounts of receipts by sources, States, districts, and ports of collection; and the expenditure accounts are undoubtedly those of individual appropriations. These accounts must be kept to comply with sections 255 and 264 of title 5 of the United States Code. From the beginning of the Government, Congress has required the Treasury to maintain a separate account for each appropriation made by it. Here again it would seem that the elimination of such accounts should be given more consideration than the investigators have given to the subject.

The purpose of pointing out the above-mentioned errors is not to discredit the work of the Committee's investigators but rather to indicate to the Committee the danger in reaching conclusions based upon insufficient or unreliable informa-

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tion. Some of the suggestions in the report have been under consideration by the Treasury Department and the General Accounting Office under authority of the Budget and Accounting Procedures Act of 1950. While this act paves the way for many procedural improvements, there should be expressed a note of caution that the savings which such changes may make possible could not by the widest stretch of the imagination reach the proportions indicated in the report.

On the management side, from comments appearing in the report, the Committee apparently recognizes that the Fiscal Service of the Treasury Department is a closely knit organization, responsive to top management by the Secretary of the Treasury through the Fiscal Assistant Secretary. On the other hand, the report does not appear to give adequate recognition to important managerial and procedural improvements which have been instituted during the past several years. Through the streamlining of procedures and the elimination of overlapping and duplication, where authorized by law and consistent with proper security, approximately $16,000,000 has been saved during the past 4 years in carrying on the fiscal operations of the Treasury. Notable among these savings may be mentioned 2½ million dollars a year through improved procedures for handling the redemption of savings bonds and interest coupons and 1 million dollars a year through the adoption of a plan for the handling of withheld and unemployment taxes. In addition to the combined savings of $16,000,000 for the 4-year period mentioned above, the Treasury is also realizing a saving of $5,000,000 every year in payment of Government checks as a result of improved procedures developed by the Fiscal Service.

Two whole units in the Treasurer's office involving approximately 150 employees were virtually eliminated through the cooperation of the Office of the Treasurer of the United States and the Bureau of the Public Debt. There is no aversion to reducing personnel when that can be accomplished with due regard to the public service and protection of the public funds. In fact, one of the underlying principles of administration throughout the Fiscal Service is not to handle a piece of paper twice when one handling will do the job. This policy of finding ways and means to reduce personnel is further exemplified in the collaboration between the Fiscal Service of the Treasury Department and the United States Bureau of Standards in developing the use of electronics in the handling of large-scale fiscal and accounting operations. Arrangements for the installation of an electronic machine for counting paper currency are already well advanced, and a study is now underway to determine whether electronics can be applied to the recording of the issue and redemption of United States Savings bonds.

In its endeavor to avoid overstaffing, the Fiscal Service has a program of training its supervisors in the direction that they will not only get the best production from employees but will encourage them to make suggestions which will lead to economies. Two recent illustrations might be of interest, one where an employee suggested a method involving the conservation of carbon paper at a saving of $127,000 a year, and another, where an employee developed a procedure for punching a hole in checks through which enclosures could be picked up automatically through the use of a suction cup thus avoiding a separate handling of the enclosure. Standing alone, these examples of savings resulting from inventions and ideas of individual employees in the lower grades may not seem impressive or important, but to those who are interested in the advancement of public administration, there is a deeper and greater meaning because these are manifestations of employee interest, high morale, and good leadership by supervisors and top management.

The work simplification program of the Fiscal Service has resulted in numerous improvements and substantial savings. Group leaders are brought together periodically at luncheon meetings to make progress reports directly to the Fiscal Assistant Secretary and to discuss ways and means for greater interest and stimulation. The Fiscal Assistant Secretary is in daily touch with the Treasurer of the United States, the Commissioner of the Public Debt, the Commissioner of Accounts, and the Chief Disbursing Officer, and meets with them and their staff members collectively every week at staff conferences. At other regular staff conferences the Fiscal Assistant Secretary meets with the bureau heads and their key personnel and with the budget and personnel officers of the Fiscal Service. In this way the Secretary of the Treasury, through the Fiscal Assistant Secretary, keeps in touch with the various activities of the Fiscal Service without unnecessary encroachment on his time.

Since maximum utilization of the talents and services of employees is a keystone to avoid overstaffing the program of the Fiscal Service for employee development should be mentioned. This is a three-point program, viz. (1) selection of promising employees for rotating assignments in order that they may become

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trained in all activities of the Fiscal Service, (2) biweekly after-hour group discussions on various subjects relating to Treasury activities, and (3) biweekly after-hour general meetings in the General Services Administration Auditorium which are devoted to lectures by bureau and division chiefs on the work of the Treasury Department. All employees of the Fiscal Service are regularly invited to attend these meetings and are given the opportunity of asking questions.

Bureau of Accounts

The Bureau of Accounts is the central accounting organization of the Government. It has three main operating functions, all statutory—

1. It issues the warrants on behalf of the Secretary of the Treasury authorizing the Treasurer to place funds in checking accounts to the credit of disbursing officers.
2. It keeps the central accounts relating to receipts, appropriations, expenditures, and the public debt.
3. It compiles for the Secretary an annual report to the Congress showing the receipts, by sources, States, districts, and ports of collection, and expenditures according to the several appropriations made by the Congress.

Because of the close relationship between this office and the Secretary of the Treasury (now exercised through the Fiscal Assistant Secretary), the Bureau of Accounts also handles the investment of trust funds, the designation of Government depositaries, and the determination of the underwriting limitations of surety companies which are authorized to do business with the United States. It maintains a small accounting systems staff which works closely with the General Accounting Office in the development of improved accounting procedures. Also, as pointed out in the committee's report (p. 91) the Division of Disbursement is presently a part of the organizational structure, but with clear lines of disbursing authority.

Under the Budget and Accounting Procedures Act of 1950, undoubtedly important changes will ultimately be made with respect to the Bureau of Accounts, but action with respect to these matters must await the conclusion of the studies being made by the Treasury, the General Accounting Office, and the Bureau of the Budget.

The subcommittee reports (p. 92) an overstaffing in the Bureau of Accounts of 81 employees. This is a net figure since the subcommittee indicates that some activities of the Bureau are understaffed to the extent of 38 employees while a savings of 855 employees could be effected in other activities. The principal improvements in the Bureau of Accounts are stated as resulting from changes in the warrant system (p. 90), which apparently is also the basis for the major personnel savings. Other action to effect personnel savings is pointed out, such as a review of the necessity for currently compiling financial reports and changes in the disbursing procedures (p. 91). It does not appear that the suggestion of organization realinement would have any material effect upon the number of employees required.

The report recognizes that existing warrant procedure has been established to conform to provisions of law relating to the receipt and payment of moneys from the Treasury (p. 90). It should also be pointed out that the Congress, by the enactment of legislation, has required the compilation of certain reports, including reports to be submitted to it. For example, section 15 of the act of July 31, 1894 (5 U. S. C. 264):

'It shall be the duty of the Secretary of the Treasury annually to lay before Congress, on the first day of the regular session thereof, an accurate combined statement of the receipts and expenditures during the last preceding fiscal year of all public moneys, including those of the Post Office Department, designating the amount of the receipts, whenever practicable, by ports, districts, and States, and the expenditures, by each separate head of appropriation."

Likewise, the accounting for disbursements has been established to conform to provisions of law.

The Budget and Accounting Procedures Act of 1950, approved September 12, 1950, provides for a degree of flexibility not heretofore possible in the modification of warrant procedures. Under section 115 of this act, in the interest of simplification and economy, the Secretary of the Treasury and the Comptroller General by joint regulation may now waive existing law regarding warrants issued "in connection with the receipt, retention, and disbursement of public moneys and trust funds" and funds requisitioned and advanced to disbursing officers. Revised procedures under this authority for repayments to appropriations have already been installed and other revisions are under study. The Bureau of Accounts intends to take full advantage of these studies to effect economies in operations.

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The Bureau has long followed the practice of periodically reviewing financial reports prepared by the Bureau to determine their usefulness, and consideration is given currently to individual statements when their usefulness has decreased. The Bureau takes prompt action to discontinue obsolete reports.

The basis for accomplishing the savings in personnel to the extent estimated by the subcommittee is not clear. For example, it seems probable that a part of the estimated reduction was based upon the premise that records on apportionments for Government agencies are maintained in the accounts of the Bureau (pp. 81 and 85) coupled with the recommendation that all accounts except those used for central control and general ledgers be eliminated in the Division of Bookkeeping and Warrants (p. 91). The Bureau of Accounts keeps no accounts for apportionments other than those which relate to its own appropriations for administrative expenses. Also, the suggestion (p. 90) that covering warrants be discontinued, if adopted would have little, if any, effect upon personnel. The covering process serves the purpose of classifying receipts by source and summarizing for reporting purposes. This information is required by law, and if this information was not obtained under the present procedure, it would be necessary to produce summaries under some similar method. The statements produced as a by-product also furnish a means of verifying the amounts deposited for the account of the Treasurer of the United States.

A further example, which indicates that the recommendations may have been made without full information, is given. The question is raised (p. 90) as to whether the appropriation warrant which "notifies the Treasurer that the Congress has authorized the expenditure of a certain amount of money for a particular purpose" is needed. The purpose of this warrant is to advise the administrative agency having control over the appropriation that funds are available on the books of the Treasury. (The Treasurer of the United States does not receive a copy of this warrant.) Many instances are on record where it has been necessary for the Comptroller General to rule on the meaning of laws purporting to appropriate money. It is therefore, necessary that the laws be carefully considered before the funds are established on the books of the Treasury and before administrative agency is permitted to withdraw funds for the payment of its obligations.

The estimate which causes considerable perplexity relates to the Division of Disbursement. While the findings in the report contain no criticism of the management of the Division, there is nevertheless shown in table 12 of their report an indicated saving of 821 employees in the Division.

Representatives of the subcommittee had no discussion with officials concerning the number of employees engaged on any function, operation, or task, in the Division, nor did they discuss in any manner the composition of the savings proposed in the report. It is therefore difficult to appraise their findings without information as to how such savings were calculated.

Under the heading "Division of Disbursement" (p. 91), the report states:

"More thought should be given to the suggested system of certified vouchers which could be paid directly by the Federal Reserve Bank System. This would eliminate the use of the checks in the payment of nonrecurring obligations. The refinement and adoption of this plan would eliminate at least half of the work of the disbursing officers."

It is not explained how a creditor of the United States, who has furnished supplies, could receive payment therefor without the use of a check, draft, or other form of payment instrument.

While no itemization of the positions to be eliminated, or even a listing of the operations and tasks to be discontinued, has been furnished, it appears that a large error has been made in the calculations. If the entire function of making payments on nonrecurring obligations were removed from the Division of Disbursement, as suggested, only a fraction of these employees could be released. This number includes not only all operative employees but also all related executive, supervisory, administrative, accounting, procurement, and service personnel.

It is doubtful that any saving would accrue to the Federal Government as a whole. If Federal Reserve banks were to issue the check, warrant, draft, or some form of instrument to authorize payment, the change would merely mean the transfer of a function from one office to another, with another set of executive, supervisory, and service personnel, and other indirect expenses. The Federal Reserve banks would undoubtedly require reimbursement for its expenses in handling such payments. In the end, a greater cost would have to be paid by the Government. If the function was to be transferred to United States departments or establishments, such action would be a reversion to a discarded arrangement which had proved too expensive. The mechanical operation of writing the check,

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draft, or warrant would in nowise be decreased, it being assumed that the discharge of an obligation involves the preparation of some instrument. Seemingly, any authorization to effect payment must have inscribed thereon the date, name of payee, amount to be paid, and the signature of the authorizing officer. These data are the minimum required, being virtually the same as now inscribed on checks. The shifting of the manual or mechanical work from one large agency to many agencies would not result in a saving. Because of the loss of efficiency, such action would very likely increase the cost to the Government. The Division of Disbursement processes the nonrecurring types of payments using principles of mass production; it employs electrical equipment such as accounting machines, punch-card machines, check-writing machines, tabulating machines, addressing machines, signing machines, microfilming machines, and enclosing machines. Small offices could not practically operate such equipment without excessive cost.

Prior to the creation of the Division of Disbursement, the Federal departments had their own disbursing offices. In New York City alone there were more than 40 offices performing disbursing functions. By consolidating these activities, the Division can process a very large volume of transactions on a production-line basis with low operative, supervisory, and indirect costs. Year after year, through specialization on jobs and with quantitative standards of performance, the Division has been able to reduce costs. During the past 6 years, the average unit cost for making payments and for depositing collections by the Division has not increased, despite the fact that salaries of employees and other expenses have gone up more than 40 percent. This record of the Division for holding the line on costs compares favorably with that of any other Federal agency, or for that matter, any industrial organization in the country. In 1944 the average unit cost was over 6¾ cents; in 1950 it was less than 6¼ cents. During this same period, the number of production units per employee rose from 39,000 to 58,000 per year. As to persons employed in the fiscal year 1950, the Division had 3,388 employees and handled 198,000,000 checks, or 26,000,000 more than in 1947, when it had 3,735 employees. This indicates the continuous effective program of improvement going on in the Bureau of Accounts.

The production control system established in the Division, under which units of output are reported monthly for the various classes of activities has enabled not only control of production with savings in required manpower, but also the making of comparative studies, in which the output of one office is compared with that in another and the output of the same office of one period with that for another period. From the information so derived fair standards of performance have been promulgated to the various regional disbursing offices.

A further general conclusion appearing in the report (p. 68) without supporting details, relates to the internal security accounting provisions in the Division of Disbursement, which are stated as too comprehensive. The provisions for safeguarding securities such as currency, negotiable checks, unissued bond stock, and unissued check stock in the Division of Disbursement are typical of those imposed by both large and small financial institutions. The practice in the Division is very similar to that in business. Collections, as received, are immediately receipted, recorded, and totaled to establish accountability. By this means control is set up for which the corresponding accountability is established. The resulting deposit of the funds to appropriations, trust funds, or special accounts (as required by law) must be in agreement. As to physical facilities utilized, the protective equipment and related service are no greater, and no less, than employed by large banks. Huge sums of cash may be received, as for example in Treasury Annex 1, where the collections may exceed a million dollars in a day, with $50,000 in currency; the receiving cashiers necessarily work in enclosed cages to which the public does not have access. Each day they must account for the exact amount of funds received. At night the currency, checks, and negotiable papers are placed in locked safes or vaults, to which only designated individuals have access. In Washington the safes and vaults are inspected by Secret Service guards in their periodic rounds. The practice is substantially the same in each regional office.

If the report means that the accounting in the Division of Disbursement is too comprehensive in that complete accounts are maintained for receipts and expenditures under specific appropriation, trust fund, and special account titles, and that only a single depositary disbursing account need be operated for each disbursing officer, the recommendation has merit. In this connection, the system of accounting was devised and operated to conform to existing law. In the past year, much improvement has been brought about in the appropriation and fund accounts in administrative agencies by the joint program of the Bureau of the Budget, the General Accounting Office, and the Treasury Department. It is anticipated that

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the technical improvements now being made in records of administrative agencies will soon render unnecessary the detailed accounting in the Division so that steps can be taken to modify the present law requiring that no payment can be made by a disbursing officer unless he has sufficient unexpended balances in the respective appropriation, trust fund, or special account to be charged with the expenditure. It may, however, be possible to modify this procedure. With the passage of the Budget and Accounting Procedures Act of 1950, the streamlining of the accounting procedure may be possible by the joint action of the Comptroller General and the Secretary of the Treasury. Such change, along with other related accounting simplification in other records, is now under consideration in the Treasury Department.

The report contains a proposal (p. 69) recommending the elimination of the "administrative examination" of accounts. This proposal is one which the General Accounting Office and the Treasury sponsored in the Budget and Accounting Procedures Act of 1950, previously referred to. It is too early to tell what effect on personnel such a change would have, but the committee may be assured that appropriate reductions will be made in the estimates of appropriations when the changes are made effective.

As stated above, the subcommittee (p. 92) estimates that a net savings of 817 employees can be effected from a total of 3,450 employees on the rolls of the Bureau of Accounts on June 30, 1950. Without correlating estimated savings with the recommendations (which is not contained in the subcommittee's report), a complete and satisfactory analysis cannot be made. There appears nothing in the report which would support the conclusion that a reduction of 817 employees in the Bureau of Accounts could be made without impairing its operations.

Bureau of the Public Debt

The Bureau of the Public Debt exercises administrative supervision over public debt operations. It maintains control over stocks of unissued securities, keeps registered accounts, issues registered interest checks, and verifies the authenticity and validity of every security redeemed by the Treasurer of the United States.

Because of the legal interrelationships public debt accounts are maintained in each of the three bureaus of the fiscal service, namely, Bureau of Accounts, Bureau of the Public Debt, and Office of the Treasurer of the United States. Each set of accounts, however, is maintained for a different purpose in the discharge of a different statutory or regulatory responsibility.

In the Bureau of Accounts, less than half time of 1 person is engaged on public debt accounts; in the Office of the Treasurer, there are the equivalent of 13 full-time employees; and in the Bureau of the Public Debt about 250. There is no overlapping or duplication of functions performed by each organization.

Under section 10 of the act of July 31, 1894, the Bureau of Accounts maintains central accounts relating to receipts, appropriations, and expenditures of all departments, bureaus, and offices of the Government, including the public debt. A summary account for each outstanding public debt issue is required to be maintained by the Bureau, in order to properly account for all receipts and expenditures of the Government. Without such information, the accounts would not, of course, reflect the information which the afore-mentioned statute requires.

The Treasurer of the United States is the fiscal agent for the redemption of the public debt. The accounts of the Treasurer are kept on the basis of cash receipts and payments made by the Treasurer. These accounts differ from those of the Bureau of Accounts in that they account for public debt receipts and payments for each loan by Federal Reserve banks and branches, the principal issuing and paying agencies for public debt transactions. These accounts not only serve to record the Treasurer's accountability for receipts and payments, but are also the basis for preparing the monthly statement of the outstanding public debt.

The Bureau of the Public Debt is the administrative organization for public debt operations. The Division of Public Debt Accounts and Audit performs what might be called administrative controllership functions. The main purpose of the accounts maintained by this Division relating to public debt principal is to exercise administrative control over public debt security stock, security issues, and security retirements. The blank stock of securities maintained with Federal Reserve banks and other agencies is also controlled by this Division. Another function of the Division is to see that the Treasurer's account is credited for the amount of every public debt security sold. Its work is not duplicated in any other bureau of the Treasury.

The statements on pages 88 and 89 of the report with respect to the role of the Register are grossly inaccurate. The Register of the Treasury does not maintain any accounts of the issue of public debt securities. One of the principal functions

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of the Register is to verify securities charged in the account of the Treasurer of the United States as public debt redemptions and coupon interest payments, and to make appropriate certification thereof to the Comptroller General of the United States. On the basis of the Register's certifications, credits are allowed by the Comptroller General in the account of the Treasurer. These securities and coupons, as well as those retired on other transactions, are visually examined in the verification process. Another function is to maintain custody of public debt securities retired on any account, and interest coupons related thereto, and in due course to deliver them for destruction.

The only accounts maintained by the Register are those showing the securities received for examination, custody, and delivery for destruction. These accounts serve as controls over the securities and coupons with which the Register is charged. His records, and his records alone, reflect in detail the retirement of the public debt by serial numbers, denominations, and loans. Similar records on the issue side are maintained by the Division of Loans and Currency and the Federal Reserve banks. Thus the Bureau of the Public Debt has available to it the necessary details with respect to every public debt security issued and retired.

These records in no wise conflict with or duplicate the administrative security control accounts maintained by the Division of Public Debt Accounts and Audit, which are general accounts supporting the public debt.

Location of the Register's office in the Bureau of the Public Debt makes for economy and efficiency in operations, since other units of the Bureau may readily obtain information relating to the redemption of securities, which is needed in the performance of day-to-day functions. This office has been functioning as an integral part of this operation for many years, and, in the interest of good management, it should not be removed from the Bureau of the Public Debt.

The United States Savings Bonds Division (p. 88) is a part of the Office of the Secretary of the Treasury, and not a unit of the Bureau of the Public Debt. This organizational status was accorded the Division in view of the character of its sales promotional activities and the fact that it does not handle or service the public debt. Funds for the Division, however, are properly included in the appropriation for administering the public debt. The service unit of the Division was required to move from Washington at the beginning of World War II, because of the lack of space. For administrative control purposes, it was made a part of the decentralized Public Debt organization, which was moved from Washington to Chicago at the same time. There are no duplications of work and no economies would be effected through a change in the organizational set-up.

The allegations that the Bureau of the Public Debt (p. 89) is overorganized into numerous divisions, sections, units, and subunits, with a system of security accounting, checks, and balances which is far beyond normal requirements, might be based on a cursory examination of detailed organization, functional, and work flow charts, but without further studied analysis. The Bureau is composed of only three major divisions.

In order to operate effectively and efficiently, operating sections have been broken into units specializing in related phases of the work. Numerous changes in the status of operating units have been made in recent years, including consolidations, all in the interest of providing a better framework in which to carry on the functions of the Bureau. In practically every instance, the units and subunits are supervised by a working unit head, and very little, if any, saving could be realized by further combining units or subunits under one administrative head.

The functions of the Bureau require security controls peculiar to the handling and servicing of live securities and the highest degree of accountability over the issuance and retirement of the millions of pieces of securities that have been issued and retired.

The Division of Public Debt Accounts and Audit of the Bureau of the Public Debt (p. 89) has been responsible for many years for the maintenance of control accounts over blank distinctive paper and the audit of work in process at the Bureau of Engraving and Printing. Responsibility for these functions was reiterated in Treasury Order No. 121, dated July 31, 1950, which was promulgated in connection with the transfer of certain functions with respect to the handling of distinctive paper from the Bureau of the Public Debt to the Bureau of Engraving and Printing under Reorganization Plan No. 26 of 1950. The Division of Public Debt Accounts and Audit, of course, received necessary accounting documents from various sources in connection with the maintenance of its distinctive paper control accounts and for the development of appropriate records upon which to conduct a sound audit of work in process at the Bureau of Engraving and Printing. Neither the Division of Public Debt Accounts and Audit nor any other office of the Bureau of the Public Debt, however, prescribed a "system of

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security accounting" to be followed by the Bureau of Engraving and Printing, as shown by the chart facing page 89 of the report.

It is our well-considered opinion that the functions performed by the Division of Loans and Currency with respect to the verification of redeemed currency and mutilated paper represent the minimum consistent with good management principles, having in mind particularly the nature of the material processed. The Redeemed Currency Unit of the Division of Loans and Currency verifies the lower halves of all United States currency retired from circulation. The Mutilated Paper Unit of the Division verifies all work spoiled by the Bureau of Engraving and Printing at various stages of production. On the basis of the work done by these two units, credit is allowed to Federal Reserve banks and branches for unfit currency retired from circulation and to the Bureau of Engraving and Printing for work spoiled in process. The functions must be performed in some unit of the Treasury. In view of the security-mindedness of the Division of Loans and Currency as a whole, it is believed that these functions are appropriately placed and may be more effectively performed from their present organizational location. The operations conducted by the two units in question are not duplicated by any other office of the Treasury.

The nature of the functions performed and accounts maintained by the Register of the Treasury are set forth in our answer to the comments relating to the Register's office on page 88 of the report. It will be noted that the Register maintains only such accounts as are necessary in the performance of his audit functions and that they are not duplicated elsewhere in the Treasury. The work performed by the Register's office is essential to proper security management. The Register is the final Treasury auditor of paid public debt securities and interest coupons, and manifestly must have physical custody of the securities and coupons to perform that function. If this work were transferred to other parts of the Bureau of the Public Debt, as proposed, neither savings nor increased efficiency would result, since, as stated before, functions of a similar character are not performed elsewhere and new organization units would, therefore, have to be created to do them.

The report (p. 92) suggests a reduction of 341 employees in the Bureau of the Public Debt. As indicated in our comments on the specific suggestions of the committee, we do not feel that the suggestions are well taken or that any economies would result from their adoption. It happens that there are now 85 fewer employees in the Bureau than the 4,632 stated on page 92 of the report, and, of course, we will continue to reduce our force if reductions in our workload and further management improvements will permit.

Office of the Treasurer of the United States

The Treasurer of the United States is the official custodian of the public funds. Contrary to statements in the report, it does not duplicate the work of other activities. The Treasurer is bonded for the faithful performance of her duties and this responsibility is not shared by any other officer.

On page 89, the report identifies specific areas within the Office of the Treasurer where it is stated "organizational and procedural discrepancies entail unnecessary and duplicating effort." On page 92, the report indicates the number of employees which could be released in each activity as a result of suggested corrective action. In commenting on the committee's report, their findings will be treated in the order in which they appear on page 89.

The report states that "The Stating and Claims Sections of the Accounting Division need special consideration in view of the work being done by the Federal Reserve System."

The paying operation performed by the Federal Reserve banks on Government checks pertains to checks which are payable through the Federal Reserve banks only. The same operations are performed in the Accounting Division on other checks which are payable in Washington only. There is no duplication because no one check goes through the paying operation twice. The paying operations performed on Government checks are essentially the same as those performed in a commercial bank and are deemed to be essential in the banking fraternity before a drawee pays out cash on checks which are presented.

As to the work done in the Claims Section of the Accounting Division, the only part taken in this operation by the Reserve banks is to report as to whether a check payable through a Reserve bank which is involved in a claim has or has not been paid. This is the only place this information can be obtained and is absolutely necessary in settling a claim. The Claims Section picks up the case at that point and consummates the case without duplicating any part of the work done by the Reserve bank.

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The report states that, "The work carried on in the Card Check and Sorting Sections needs to be simplified in conformance with modern banking practices."

The only operation performed in these sections which is not generally performed in a commercial bank is that of arranging the paid checks in serial number sequence. The commercial banks place this burden on their customers.

In the case of Government checks, the placing of this burden on someone else would result in transferring the operation to the General Accounting Office as a prerequisite to reconciliation. This would result in no saving to the Government in performing the operation and would result in extra costs in the Treasurer's office in determining the status of a check involved in a claim from a file of unarranged checks. Furthermore, it would delay settlement of the claim.

The report (p. 89) states, "The size and cost of the activities of the Currency Redemption Division should be reviewed in the light of potential economies. They overlap and duplicate similar operations in the Bureau of the Public Debt."

The Federal Reserve banks cut unfit United States currency in half and ship the lower halves to the Bureau of the Public Debt. Upon receipt of the lower halves, the upper halves are shipped to the Currency Redemption Division. After verification by the Bureau of the Public Debt and adjustment of errors, the currency is delivered to the Destruction Committee. Long experience has taught that this procedure is essential for security and control purposes and to prevent fraudulent manipulation which might occur if both lowers and uppers were available to the same office for final audit. The Treasurer does not duplicate the verification performed by the Bureau of the Public Debt on United States currency.

The same procedure is followed with respect to Federal Reserve currency except that the lower halves of such currency are forwarded to the Currency Redemption Division for complete verification, and the upper halves to the Federal Reserve Issue and Redemption Division of the Comptroller of the Currency. The entire cost of this operation is reimbursed by the Federal Reserve banks.

The report (p. 89) states, "The Federal Reserve Bank Section of the Division of Securities and the United States Depositary Section of the Division of General Accounts are functioning in the same area with a duplication of effort." The Federal Reserve Bank Section of the Division of Securities receives from Federal Reserve banks all United States public debt obligations redeemed by the Reserve banks, except savings bonds and Armed Forces Leave bonds. It examines the obligations for genuineness, for cancellation, amount paid and determines the accompanying schedules are accurate and properly prepared. The amounts are reported to the Division of General Accounts for determination that they agree with the amounts charged in the Reserve banks' transcripts.

The Depositary Section of the Division of General Accounts maintains the cash accounts carried with the Federal Reserve banks, general depositaries and foreign depositaries. The media for posting these cash accounts are the daily transcripts rendered by the banks which show the opening balance, receipts, expenditures, corrections, and closing balance. These cash accounts are proved against control figures and reports furnished by the Accounting Division at the close of each day's clearance.

The areas covered by the two sections are entirely different, the functions entirely different in nature and scope, and they bear no relation to each other.

The report (p. 89) states, "The Coupon Section of the Division of Securities is engaged in a partial duplication of the general activities of the Bureau of the Public Debt."

The duties of the Coupon Section with respect to the examination and audit of paid coupons from United States obligations were transferred on November 1, 1949, to the Register of the Treasury; and the number of employees was subsequently reduced from 38 to 8.

Table 12 (p. 92) of the report suggests a possible reduction of approximately 30 percent in the employees of the Treasurer's office. In the absence of any other indication as to how these savings could be effected, it is presumed that they are based on the committee's suggestions of duplication and overlapping. As indicated in our comments above, the suggestions are not well taken and their adoption is not feasible.

BUREAU OF ENGRAVING AND PRINTING

From the Committee's report, page 68:

"Internal security accounting in the Bureau of Engraving and Printing * * * is too comprehensive. The system in the Bureau of Engraving and Printing is especially cumbersome and involves many unnecessary intermediate steps."

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Security control accounting in a publicly owned security printing plant must of necessity be comprehensive. It might appear to be cumbersome and involve too many unnecessary intermediate steps. Security accounting controls are designed and modified as the needs arise adequately to protect the public, the Government, as well as the officials and employees through whose hands pass billions of units of monetary value during the course of a year.

Only through being actively associated with the manufacture of securities can the need for a foolproof, detailed, and comprehensive control accounting system be appreciated.

When it is recognized that employees of the Bureau are held accountable for the face value of securities in their custody, even if only partially completed, every device known to the accounting profession, which will afford fullest protection to the employee, must be incorporated in the system. Without such a comprehensive control, suspicion of irregularity could easily unjustly ruin the career of an employee.

It should be noted that the control system in the Bureau reaches beyond the confines of the Bureau in that it provides records which release the Bureau from responsibility for custody of completed securities and, in the same accounting operation, makes a substantial record available to the receiving agency.

The present control accounting has been in operation for 27 years. It has been reviewed and examined by many expert accountants, and none have been able to offer any suggestions which would either improve or simplify its basic principle.

From the committee's report, page 78:

"* * * A perfunctory inspection of this activity gives the impression of unsatisfactory employee utilization, but further inquiry points to another obscure cause of overstaffing. In this instance the inefficient and wasteful methods employed stem largely from the physical lay-out of the plant in which the operations take place. * * * This has led to the continuance of poor morale and too many employees."

At least 95 percent of the production workers of the Bureau of Engraving and Printing work on a piece rate or on a task basis. The amount of work performed by these workers has been established over a period of many years and is predicated on a "fair day's work." The basis upon which this day's work has been established is well recognized in industry where unions play a predominant role in determining manpower output. Experience has shown that any effort on the part of Bureau management to prescribe work output in excess of that currently being performed would result in vigorous action on the part of the unions to resist any increase. Since organized workers in the Federal Government are denied the right to strike, the right of petition is exercised in its stead. There are 26 unions in this Bureau which avail themselves of this right.

The Congress has usually been sympathetic toward the petitions of organized labor in the Federal Government, and for many years it limited the type and number of printing presses that could be employed in the production of currency in the Bureau. The Congress has also legislated the type of printing process that must be employed in the production of United States securities. Even so, the amount of work performed by a vast segment of the Bureau's employees is measurable and compares well with work performed in private industry and with other agencies of the Federal Government. Due, of necessity, to the complex requirements for printing and processing United States securities, all necessary precautions must be employed to insure against irregularities in the handling of securities, which has the result of reducing the productive output of the employees while security measures are being carried out. Specifically, all stock in process must be counted before being returned to the vaults at the close of the work period, and during each movement of the stock in between processing operations. It is obvious, therefore, that, during each counting operation preparatory to printing and processing, nonproductive time on the printing and processing equipment results. Each sheet or fragment of a sheet has to be specifically accounted for, whether it be a 1-cent postage stamp or a thousand-dollar bill. The loss of a sheet or a fragment of a sheet must be paid for by the employees, as there is no facility whereby such losses can be paid for out of Government funds. Understandably, therefore, employees must be given adequate time to insure proper accountability of securities during each step of the many operations.

The reference to "This has led to continuance of poor morale and too many employees" (p. 78) seems to be contrary to the facts. A comprehensive investigation conducted by the Treasury Department disclosed that the employee morale of the Bureau was excellent. So far as is known, nothing has occurred in the interim to change this situation.

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On June 17, 1950, representatives of the Williams Subcommittee on Overstaffing in the Federal Government visited the Bureau and were conducted on a tour which extended over more than 20 acres of floor space. They spent slightly over 4 hours visiting the production divisions of the Bureau, and it is of interest to note that in such a short space of time they could conclude that there were "inefficient and wasteful methods employed," "unsatisfactory employee utilization," "unsuitability of plant site and physical layout," "poor morale," "too many employees." There are approximately 6,200 employees in the Bureau, among which are 32 skilled crafts represented by 26 labor unions. Many of the Bureau operations are highly technical and little understood by other than those who are directly associated with these operations. It would certainly seem, therefore, that before all the unfavorable conclusions quoted above could be reached a great deal more time than 4 hours would have to be spent in viewing the Bureau's operations and then only by individuals skilled in the graphic arts.

In an attempt to improve the standard of quality of United States currency, reduce production costs, improve working conditions, and eliminate hazardous operations, a staff of qualified engineers is employed to conduct recurring studies of the Bureau's operations. These studies include machinery layouts and changes in processing operations. From time to time, as improved processes are developed and new equipment is obtained, increased production requirements become necessary, and changes in the plant layout are made. Flow of work is constantly being studied with the view in mind of providing for maximum efficiency in the Bureau's operations. Great progress has been made in the Bureau within the past 30 years. This is evidenced by the fact that the employees of the Bureau are producing 126 percent more work today than was produced by a comparable number of employees 30 years ago. This has resulted in an accumulated saving of more than $100,000,000. These savings are the direct result of more efficient utilization of manpower. The Bureau, it is believed, is unique in that it is the only agency in the Federal Government where employees are sent home when there is neither sufficient work for them to perform nor companion workers present to perform certain operations.

Serious limitations are placed upon the extent to which changes in the processing operations can be made or in the physical lay-out of the equipment because of the necessity for maintaining security control over each step of all operations. This results in the isolation of each operation in producing United States securities and, of necessity, results in the need for transporting work from one operation to another and, under certain circumstances, retracing these operations to provide for another step in processing. It is agreed that, were it not for the need for isolating these operations, greater utilization of floor space and manpower could be made. Experience has shown, however, that there cannot be any compromise in maintaining suitable and adequate accountability over every operation; otherwise, serious charges of negligence and misconduct of the affairs of the Bureau would inevitably result, as has occurred in the past.

From the Committee's report, page 70:

"Cost accounts are rarely maintained. If so, they are incomplete, unrealistic, or not on an accrual basis."

There has always been a cost-accounting system in the Bureau, made necessary by reason of the fact that the Bureau makes an annual accounting to the Congress of the United States as to how appropriated funds have been expended and how new appropriations are to be administered. Approximately 40 percent of all work performed is reimbursable, and accurate costs must be developed in order that the agencies for whom the Bureau performs work on a reimbursable basis will not be required to carry a disproportionate share of the cost of operating.

Over a period of many years estimates have been submitted to the Congress, based upon unit cost rates developed during the prior year, making appropriate adjustments for wage increases, changes in material prices, increases or decreases in overhead costs due to a larger or smaller program, etc., for the current and budget years, demonstrating that a realistic cost accounting system has been in operation. Since the Bureau has been on an obligation basis it was not possible heretofore to include all items of cost on an accrual basis. For example, depreciation of equipment has not been included as an item of cost and it was for this and other reasons that the Bureau sponsored Public Law 656, Eighty-first Congress, in order that the accounting system could be on a 100 percent accrual basis. The accounts of the Bureau are audited by the General Accounting Office and Bureau records fail to disclose any instances of irregularity which could be attributed to a faulty cost accounting system, irregularities in the purchasing of materials, or in the auditing and payment of its accounts.

Reviewed [illegible] by full time Mgt Office with complete operational knowledge.

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From the committee's report, page 89:

"* * * The Bureau (Bureau of the Public Debt) also prescribes a system of security accounting for distinctive paper used in the Bureau of Engraving and Printing. Figure 4, Security Accounting, Bureau of Engraving and Printing, facing this page, graphically illustrates the extent and complexity of this system."

The security control accounting system in the Bureau was designed and installed in 1923 by a special committee designated by Secretary Mellon, three members of which were not employees of the Bureau. The Bureau of the Public Debt did not, therefore, prescribe the system as is stated in the report. Since the control ledgers of the Bureau system are maintained by a division of the Bureau of the Public Debt, slight modifications to the forms and procedure necessary to keep them current with requirements may have been suggested by that Bureau.

During World War I, the Bureau was engaged in the mass production of Liberty bonds. Early in 1922, President Harding was informed by someone outside of the Treasury that the administrative staff in the Bureau had engaged in duplicating Liberty bonds and thereby had stolen millions of dollars from the Government. What was then considered a control system in the Bureau was so inadequate that the Director in office at that time was unable, with the meager records at hand, to disprove the charge. As a result, the President issued an Executive order on April 1, 1922, dismissing 28 operating heads of the Bureau. Two separate committees were assigned to investigate the charges and to inventory the entire production of the Bureau during the war period by establishing as a base the quantity of security paper produced at the paper mill, and following through every operation to the completed bonds delivered to the issuing agency. During the inventory the Bureau was closed. At the completion of the inventories, it was disclosed that the charges were unfounded. Two years later all of the officials who had been dismissed and who were still living were offered reinstatement in the Bureau. During the 2-year period turmoil and confusion were rampant in the Bureau. The cost resulting from low efficiency was enormous. Had there been a security control accounting system comparable to the one now in use, the charge of duplicating bonds could have been immediately proved false and all of the difficulties and expense saved to the Government. It was following this unfortunate affair that the Secretary established the special committee for the purpose of installing an adequate, foolproof security control accounting system. The present system has made it possible for the Bureau to operate continuously since 1923 without ceasing operations for the purpose of inventorying the work in process. It is safe to say, therefore, that the present system, which to the layman appears to be complex, has saved the taxpayers large sums of money, not to mention the fact that it has afforded adequate protection against irregularities for all concerned.

Security printing is costly, and adequate controls over it must be very comprehensive, and will continue to be for the simple reason that there can be no compromise with accuracy.

The representatives of the Williams committee were offered any assistance by the staff of the Bureau which would permit a factual study of Bureau operations. Reports showing progress that had been made in the past and proposed changes for improvements were shown to a representative of the committee who gave them only cursory inspection and seemed to have no interest in what had been done or what was proposed to be done to place the Bureau on a more efficient operating basis. In addition to the time spent by representatives of the Williams committee on a sightseeing tour throughout the Bureau, only 60 minutes were spent in conference with the Purchasing Officer, 45 minutes with the Chief Accountant, and only 10 minutes in the Industrial Relations Division.

Since one of the responsibilities assigned to the committee was to "suggest remedial action necessary to correct overstaffing in the executive departments and agencies," it is noted that nowhere in this preliminary report is there any indication of where overstaffing exists in the Bureau, nor is any suggestion made of ways and means for correcting the alleged overstaffing. It would be of great assistance to the Bureau, in eliminating the alleged overstaffing, if the report had shown whether there are too many machinists, carpenters, plumbers, steam fitters, plate printers, pressmen, plate printers' assistants, clerical, or other such workers. No doubt additional recommendations by the committee will show specifically where overstaffing does exist in the Bureau. Assurances are given that when this specific information is developed, attempts will be made by the Bureau to apply remedial measures.

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BUREAU OF THE MINT

Page 71 of the report under the section entitled "Procurement" contains the following statement, which is the only specific criticism of the Bureau of the Mint:

"Forty percent of the 44,261 purchase orders issued were for amounts totaling less than $20. On this portion of the orders, the overhead costs amount to 35 percent of the money expended. The cost per order in the Bureau of the Mint was almost $14. The average cost for the entire Department was $7.06."

We have checked into the facts on the $14 cost per purchase order in the Bureau of the Mint and have determined that the employee who prepared the "purchasing" form for the Williams subcommittee did not indicate thereon that the purchasing officer for the Bureau of the Mint performs duties in addition to those shown on the form, i. e., issuance of 371 purchase orders. The committee's figure of $14 was derived by dividing the purchasing officer's annual salary, $5,188.49, by the number of purchase orders issued in the Washington office—371. However, the fact is that this employee supervises the purchasing for the entire mint service, by reviewing and passing upon purchase requests from the mints at Philadelphia, San Francisco, and Denver and the assay offices at New York and Seattle. Because of the special nature of its operations the mint service is excepted from the usual requirement that the General Services Administration make most of its purchases and, consequently, the mint writes its own specifications and makes its own arrangements for the purchase of necessary specialized equipment and supplies. During the fiscal year 1950 the mint service purchased more than $500,000 in specialized equipment and supplies, varying from such items as specially designed crucibles for electric melting furnaces, to complex annealing and cleaning equipment capable of daily handling many tons of coin planchets. This same employee is also responsible for issuing general purchasing instructions to the field offices and for coordinating the purchasing activities of the mint service with the policies prescribed by the General Services Administration. In addition to the supervision of the mint's purchasing this employee is called upon to perform other duties relating to the administration of the mint service, varying from making arrangements for disposal of surplus mint property to serving on annual settlement committees at the mints and assay offices. Thus, we feel that an erroneous picture was presented by forwarding a form to the subcommittee which showed the issuance of 371 purchase orders against a total annual salary cost of $5,188.49 without qualifying these facts by means of a foot note or other explanation along the lines presented above. As a practical matter, it is obvious that the Director's office in Washington with 50 employees would not require the employment of a GS-9 purchasing officer to obtain its office supplies.

While the foregoing represents the only specific criticism of the mint in the report, there are other general items contained therein which might be construed as indirectly affecting this Bureau. Comments relating to these items are included in the following paragraphs.

There appears to be some confusion about the maintenance of "apportionment" accounts as referred to on page 81. We believe that the Bureau to which an appropriation is made is the only point at which "apportionment" accounts are maintained, although the report mentions that they are maintained in the Bureau of the Budget, the Office of the Treasurer, the Division of Bookkeeping and Warrants and the "agency." The report also shows some confusion as to how the "allotment" accounts operate; at least insofar as their comments might be considered as applying to this Bureau. The committee states that "a central set of these accounts is kept on the basis of expenditure by objects. Operating units and field stations maintain similar accounts." This is not factual insofar as our Bureau is concerned; there is no duplication in allotment accounting. Our field offices maintain their own allotment accounts and render month-end reports to us which can be taken from their allotment ledger in a matter of minutes. The footnote on page 81, referring to allotment accounts, states that "Each one of these major classifications has innumerable secondary break-downs." This is not true in the Bureau of the Mint; we have only 10 break-downs in our allotment accounts, which is the absolute minimum in consideration of budget data for Congress.

On page 63, it is stated under "2" that: "There appears to be an intentional effort in the Department to disguise certain operations under ambiguous nomenclature."

The Bureau of the Mint uses standard nomenclature in identifying the various organizational levels. It follows the practice of identifying the organization by the name of the office or institution and within each office or institution by divi-

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sions, sections, and units. This practice was adopted in the mint years ago. The names given to the working groups readily identify their functions, such as Melting and Refining Division and Coining Division, etc. Also, no attempt is made to conceal the duties of the employees by misleading titles.

The report, on page 65, contains the following statement:

"Staffing ratios in the personnel offices of constituent bureaus fluctuate from 1 to 44 in the Office of the General Counsel to 1 to 172 in the Bureau of Engraving and Printing. It is concluded that only laxity of the part of responsible officials permits these conditions to continue."

The Bureau of the Mint is shown in that tabulation with a ratio of 1 personnel employee to 59 workers. The committee apparently fails to recognize compensating factors which contribute to the variance in the ratio of personnel employees to the number of employees served; which, however, have been recognized by the Bureau of the Budget in the annual budget hearings. Problems such as turnover, geographical dispersion of offices, unusual personnel activities such as wage board administration, and bonding of employees all have a direct bearing upon the number of personnel employees who are necessary in a particular bureau.

At the top of page 70 in the section "Relationships" the following sentence is included:

"The only limitation exercised over service functions and program operations takes the form of the question—'Do we have the money?' If so, the expenditure proceeds."

The above statement is not true in regard to management of the Bureau of the Mint. For example, at the beginning of the fiscal year 1950, the mint voluntarily curtailed its coinage program and formally reported to the Bureau of the Budget that it would turn back $1,181,500 of funds which had already been appropriated for operations during that year.

In other years, as the result of a desire to do the most efficient job at the lowest possible cost, the mint has returned substantial amounts of appropriated funds to the Treasury on a voluntary basis, and has furloughed large numbers of em ployees for the same reason.

Amounts which have been returned to the Treasury in the form of unused appropriations include $63,000 at the end of the fiscal year 1949, $2,000,000 at the end of the fiscal year 1948, and $1,500,000 at the end of the fiscal year 1947. In these several years, if the only consideration had been "Do we have the money?", mint managers conceivably could have found a way to spend a part or all of these funds.

A few years ago the mint had approximately 4,000 employees; today the mint has less than 1,000 employees, a reduction of more than 75 percent. These employees were dropped not only because of a decreased workload, but also because of more efficient operations.

Under the heading "Accounting Improvements," page 70, it is stated that:

"Cost accounts are rarely maintained. If so, they are incomplete, unrealistic, or not on an accrual basis."

The Bureau of the Mint does maintain comprehensive cost accounts on the accrual basis. They are sufficiently complete and realistic as to produce unit costs of coinage (the major mint function) by denominations, seven manufacturing stages, cost elements (direct labor, overhead, etc.), and by individual mint plants. Furthermore, costs are controlled by the general accounts as maintained on the individual office level. Therefore, the above quoted statement, insofar as this Bureau is concerned would appear to be inaccurate.

EXHIBIT 8

UNITED STATES DEPARTMENT OF LABOR,
OFFICE OF THE SECRETARY,
Washington, December 21, 1950.

Hon. JOHN BELL WILLIAMS,
Chairman, Subcommittee on Overstaffing
in the Executive Departments and Agencies,
House Post Office and Civil Service Committee,
Washington, D. C.

DEAR MR. WILLIAMS: I have your letter of December 5 concerning the Report of Your Subcommittee on the Division of Prices and Cost of Living of the Bureau of Labor Statistics. I am pleased to have an opportunity to review this report with you.

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Before discussing in detail your conclusions and recommendations, I would like to make a general statement about the work of the Division of Prices and Cost of Living of the Bureau of Labor Statistics. This is the Division which prepares and issues each month the official consumers' price index, on which so many management-labor contracts are based, and also the official wholesale price index of primary market prices, which also is widely used in business contracts. These constitute the chief regular work of the permanent staff of the Division. For many years, including the years under the present management, this Division has turned out on time, week after week and month after month, some of the country's most important and most carefully scrutinized statistics. This cannot be done without competent supervision and good management.

In addition to this regular work, the Bureau of Labor Statistics is now engaged on a 3-year program of revision of the consumers' price index, authorized by the Congress in 1949. This is a vitally important project which is designed to improve the consumers' price index and thus to avoid some of the conflict and the controversy which developed during World War II. It was in connection with this new project, as it was getting under way, that the problems referred to in your investigation apparently relate. This project had, for fiscal 1950, the appropriation of $1,000,000 to which you refer, in concluding that "a substantial part of the $1,000,000 initially appropriated for the revision of the consumers' price index by this Division was dissipated through gross overstaffing, inferior planning, untrained supervision, and improvident administration."

I find no evidence that any substantial part of these funds was dissipated. There were some problems of personnel handling and of programing, but I can assure you that they were not general. Let me describe the situation in more detail.

This revision program was originally planned to begin in July 1949, at the beginning of the fiscal year. However, the act appropriating the $1,000,000 for this work was not signed until early October. Meantime, the field work required on the project had to be completed during the period November to March 1950 so as to avoid any interference with the population census beginning in April 1950. The effect of these delays on the revision program was that the original plans had to be changed, and the preparatory work originally scheduled for 5 months (July to November 1949) had to be done in 2 months (October to November 1949).

I personally had instructed the Bureau to schedule the completion of these field surveys in fiscal 1950 and the whole project in 3 years. Had this field work not been finished before the beginning of the census, the resulting delay would have set back the project a year. It had always been my aim to get this work finished as soon as possible, in view of the importance of having a sound consumers' price index. In the light of the Korean war and the crisis that now confronts us, it is doubly fortunate that I did insist on this timetable and that the Bureau was able to meet it.

The Division, with great effort, managed to get back on schedule and by June 1950 had completed nearly all the work originally scheduled for the fiscal year. This included surveys of dwelling units in 50 cities, leading to the correction of the rent index which has just been announced, extensive surveys of prices for improved pricing and detailed preparation for the second year's work. I cannot overemphasize the fact that no important part of that big program failed of completion on schedule, although it had to be compressed into 9 months. At the same time, a total of $150,000 out of the $1,000,000 appropriated was saved.

I think in view of the circumstances this is clear evidence of the over-all efficiency and economy of the Division's work.

Your subcommittee makes five specific recommendations. My comments on these are as follows:

1. "The present system of efficiency ratings should conform with over-all civil-service regulations" (p. 55).

The practice of quarterly ratings is within the scope of civil-service regulations and is recognized by the Commission as a tool of good supervision. It permits administrative staff to take corrective action, as the work is being performed during the year, rather than waiting until the end of the year. One objection frequently made by employees, at the time of the annual rating, is that they have not been given during the year any indication that they were not doing all that was required of them.

This need for periodic review of performance was especially applicable to the revision project, on which the employees were both new and temporary. The Division management thought it desirable that every employee should learn

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early in his service what his supervisor thought of his work. The rating was an administrative device to gage quality of supervision and employee work performance. It was not an official rating and was not made part of the employee's file. This procedure did not work out as well as had been hoped. The problem of service ratings is especially acute among temporary employees struggling to obtain permanent status. So the quarterly ratings generated some friction and some anxiety, as your subcommittee noted. Therefore, soon after your investigation, the Division eliminated these ratings and they are no longer being conducted.

2. "The present plan of the individual keeping his own time records should be discontinued. Progress reports should be maintained by the grade GS–7 supervisors responsible for assignment of work. Only one staff member in the section should be required to summarize all of the data contained in the supervisor's reports" (p. 55).

This time report also was introduced by the Division as a device for better management. The objective was to obtain a record of time spent on various jobs and to regulate the flow of work. In the majority of cases the system worked all right, but finally some complaints began coming to the Division (even before they reached your committed).

Therefore, the Division made a thorough study of the problem. It was found that the problem was basically one of misunderstanding on the part of some employees and supervisors as to the use and purpose of the reports. Out of this misunderstanding arose the allegation of some employees before your subcommittee that the records were "falsified." After the most careful investigation we have not been able to find direct evidence of deliberate falsification by anyone, although some mistakes were made by some employees and by one supervisor.

However, the difficulties created by these reports outweighed the value that might have been derived from them. As a result of the study, coupled with the information disclosed during the subcommittee's investigation, these time reports have been discontinued.

3. "The subcommittee recommends the elimination of 24 supervisory positions at grade GS–3 and 5 with a corresponding reduction in over-all personnel; and, the consolidation of all subunits into larger units under the best qualified and most capable supervisors selected from the present group of employees serving at grades GS–5 and 7" (p. 55).

With respect to this recommendation, I would like to point out that the staffing needs for this special program has recently been carefully scrutinized by the Department's Budget Officer and by the Bureau of the Budget. In addition the progress of the program is carefully reviewed each month. The program estimates for the next year (fiscal 1952) will envisage substantially less than was appropriated for 1951.

Some readjustment of work and staff has already been made by the Division. The number of clerks assigned to each unit has been raised to 12 per GS–4, and the supervisory responsibilities of the working supervisors or "leadmen" have been reduced to a minimum. Further work will be done on this in connection with recommendation 4 below.

I do want to emphasize as strongly as I can that the necessity for carrying through this project on schedule, particularly in view of the importance of the consumers' price index in the present emergency. It is going to be exceedingly difficult, even at best, to maintain a staff of temporary employees under present conditions. We shall continue to check carefully on the progress of this program in order to make all possible economies consistent with maintaining the quality of the work and insuring its completion on schedule.

4. "The management staff of the Bureau of Labor Statistics should make a detailed survey of the Prices and Cost of Living Division with a view toward (*a*) simplification of the organization pattern, (*b*) shortening the lines of administrative communication, and (*c*) a better accomplishment of the twofold mission of the Division" (p. 56).

The Bureau has assigned its management staff to survey the operations of the Division in order to determine whether any further management improvements can be effected. As already indicated, I am also asking the management experts of the Department to join in this review, particularly with the purpose of discovering such improvements as may be applicable to other bureaus of the Department.

It is the Department's policy to achieve these objectives for all its programs.

5. "Top Division personnel should spend a greater portion of their time in working units. In this, their objective should be (p. 56)—

"(*a*) To raise the quality of supervision;

"(*b*) To keep in closer contact with administrative problems;

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"(c) To insure better utilization of personnel; and
"(d) Most important, to instill an attitude of respect for the expenditure of public funds."

Since the subcommittee investigation, the top staff of the Division has spent a considerable amount of its time in reviewing its operations and checking on its administration and procedures. Employee surveys have been made in every unit of the Division, and actions are being taken on the basis of the results. From the Chief of the Division down, the supervisors have been working to improve administrative communications and supervisory-employee relationships. I am making this the occasion of a thorough review of managment practices, for the purpose of making them as constructive and efficient as possible.

EMPLOYEE OPINION SURVEY

Our knowledge of the investigation is confined primarily to the data contained in the preliminary report. On page 57 there is printed an employee opinion survey based on a survey conducted by the committee's staff where a random selection of employees were asked eight questions.

The statements of witnesses, printed in the report, are not compatible with the results of the committee's opinion survey. This would seem to indicate that the complaints were local in character and not generally applicable to the Price Division as a whole.

In closing, I want to indicate my concern about the allegation of some employees before your subcommittee that they had been threatened with punitive action by their supervisors if they complained about their grievances. The committee's own employee opinion survey indicates that 27 out of 29 persons stated that they felt free to go to their immediate supervisors on personnel questions. This certainly shows that any situation which existed must have been highly localized. In any case the established policy of the Department is clear—there must never be any threats or reprisals of any kind toward any employee who has a suggestion to make or a grievance to air.

Very truly yours,

MAURICE J. TOBIN,
Secretary of Labor.

EXHIBIT 9

GENERAL SERVICES ADMINISTRATION,
Washington 25, D. C., December 27, 1950.

HON. JOHN BELL WILLIAMS,
Chairman Subcommittee on Utilization of Personnel,
House Post Office and Civil Service Committee,
Washington, D. C.

DEAR MR. WILLIAMS: Reference is made to your letter of December 20, 1950, and the attached preliminary report regarding personnel utilization in the General Services Administration. I appreciate sincerely the consideration that has been given to the problems of this Administration in the report, and also the opportunity afforded me to comment on the findings and recommendations.

The following information pertaining to several of the findings contained in the report will, I believe, serve to clarify them:

(a) On page 130 the report states that differences of opinion with respect to the organization of the GSA during its early months retarded the progress of the Administration's program. When I became Administrator of General Services, I formed a number of committees comprised of key representatives of the constituent agencies transferred to GSA by Public Law 152, and assigned to these committees the responsibility for developing and recommending the appropriate organization, policies, and procedures to be adopted. While this process naturally brought under consideration many varying points of view, I believe that this free exchange of ideas in the early days of the Administration contributed materially to the development of the sound organization and operating systems we now possess and made possible the development of a close-knit, well-functioning GSA team.

(b) On page 131 the report states that too little attention has been devoted to studies of the organization and operations of the Public Buildings Service. In this connection, a study of this Service, similar to that undertaken in the Federal Supply Service, is programed as a part of the GSA internal management improvement activities for the first quarter of the calendar year 1951.

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(*c*) On page 133 the report states that responsibility for GSA's procurement function (internal) has been centralized in the Office of Management. As a matter of information, the Office of Management is responsible only for the acquisition of GSA requirements for administrative supplies, equipment, and services. Whenever such acquisition involves purchase, the purchase transaction is handled by the Federal Supply Service.

(*d*) In the third paragraph on page 134, reference is made to an average cost of $25.38 incurred by a Government agency in making a direct purchase of $10 worth of lumber. In the succeeding paragraph it is stated that had this lumber been procured through the Federal Supply Service there would have been an additional cost of $11.77 representing a total cost of $37.15 for the transaction. In the development of this hypothetical case, certain costs incurred by the agency in making a direct purchase and costs involved in purchasing through the Federal Supply Service were duplicated. While in the example given, the average cost of $11.77 incurred by GSA appears excessive, it should be noted that this average is equally applicable to requisitions involving purchases of $10,000 or more.

(*e*) On page 135 reference is made to the delay that has been incurred in the handling of the combination purchase order-invoice-voucher form. The release of this form, together with appropriate instructions regarding its use, has been accomplished.

I am in accord with the recommendations of the subcommittee and will take steps to assure their full accomplishment.

Sincerely yours,

JESS LARSON, *Administrator.*

EXHIBIT 10

DEPARTMENT OF THE INTERIOR,
OFFICE OF THE SECRETARY,
Washington, December 28, 1950.

Hon. JOHN BELL WILLIAMS,
Chairman, Subcommittee on Overstaffing,
Committee on Post Office and Civil Service,
House of Representatives, Washington 25, D. C.

MY DEAR MR. WILLIAMS: I have received your letter of December 20, 1950, enclosing a copy of the preliminary report on personnel utilization in the executive departments and agencies which deals with the Department of the Interior.

The Department of the Interior is sincerely interested in increasing the effectiveness of employee utilization and in receiving constructive suggestions for the improvement of over-all management. To the extent that it is found applicable, therefore, the report will be used to further our progress toward good management. I must report to you, however, that the value of your investigations is somewhat impaired by certain misconceptions which are carried in this report.

You have asked for our comments and a statement as to the actions which we plan to carry out the report's recommendations. The following comments are submitted on the basis of a review of the report within the limitations of time permitted by the reporting date of December 27, as stipulated in your letter. Preliminary analysis indicates that certain of the findings and recommendations either require further clarification or result from misunderstanding or misinterpretation of facts.

I am pleased to note that your first finding endorses as a well-conceived improvement the recent assignment of supervisory responsibilities to Assistant Secretaries on a program functional basis. This affords secretarial direction to the bureaus which are grouped according to four broad fields: mineral resources, land management, water and power, and administration.

Your first recommendation, "that the authorities of the Secretary and the members of his staff should be firmly established in the subordinate bureaus," is not readily understood. If the committee feels that my authority and that of my staff is not fully recognized, I should be informed of the facts on which such a conclusion is based. I have felt that insofar as such a situation may have existed in isolated instances in the past, Reorganization Plan No. 3 of 1950, recently approved by the Congress, effectively resolved the problem. However, if what is meant is that those authorities have not always been fully exercised, the report is more meaningful, since the recent reorganization of the Secretary's office was in part for the purpose of insuring more adequate secretarial leadership in all phases

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of the Department's work. There are areas in which more effective work can be done, and to these we will continue to devote our attention.

I cannot agree with your unsupported generalization, however, that because the bureaus are not organized entirely and exclusively on this same functional basis, there results a major cause of overstaffing. The bureaus have been established to carry out specific legislative authorizations and to accomplish reasonably specific objectives, such as the development and maintenance of parks, the reclamation of land, and the management of the public domain. With most of the Department's functions lying within the broad field of natural resources, the bureaus share a mutual interest in conservation, engineering, geology, and mineral resources. For example, while the objectives of a water-using agency differ from the objectives of a water survey and reporting agency, both work necessarily with water, both employ engineers, and both are engaged in conservation, but each has a separate authorized service to perform.

We have felt that the need for integration of these bureau programs should be provided for at the secretarial level, thus permitting the bureaus to be maintained generally as organized to carry out legislative objectives. The implied conclusion that overstaffing exists because all geologists are not located in one unit, all engineers in another, and all conservationists in a third, is as unwarranted as would be the same conclusion if directed at other specialized personnel used to accomplish a major program objective, such as accountants and lawyers.

This does not mean that bureau structure should not be realined from time to time. We recognize that organizational needs change and we are taking continuing action to identify and resolve problems of an organizational nature. Your second recommendation, that we "should conduct a thorough examination of the functions in which the bureaus are now engaged in order to eliminate all of the nonessential duplicating and overlapping activities," is in accord therefore with our going program. I do regret, however, to find no recognition of the fact that, under the auspices of the President's management improvement fund, I have just had completed an objective study of the entire Department by an independent organization and all offices are currently engaged in determining specific actions to be taken on the recommendations of that study.

Your third recommendation, that "the major objective should be a realinement of bureau activities in conformance with the four major functions of the Department, i. e., (1) mineral resources, (2) land management, (3) water and power development, and (4) administration," will of course be given further consideration. In the light of the foregoing discussion, however, it may be seen that any proposal for a reorganization of bureaus so that they would be completely and exclusively dedicated to one of the major functions should be supported with a showing of advantages based on a comprehensive study of existing and proposed organization arrangements and legislation.

I am deeply disturbed by the finding in the report which concludes that "the reduction in the headquarters staff has not been in conformity with previously expressed plans," referring to the decentralization of operations to the field. The very figures presented in the report, I feel, point to the conclusion that we have reduced the headquarters staff in conformity with previously expressed plans. The Department's programs expanded from a war-connected curtailment in 1944 to a very high peacetime rate in 1949, with new responsibilities and with virtually a tripling of total workload. Yet, while the field force was increasing 46 percent to meet this load, the headquarters staff was reduced 20 percent, by the report's own figures. I am surprised, therefore, that the Department was not lauded, instead of criticized, for its ability to carry this tremendous program with reduced headquarters staff. Incidentally, I see even less of a logical relationship than does the committee between a percentage reduction in headquarters staff and a percentage increase in field forces. Further, the report indicates that this reduction is substantially nullified by the "additional employees" in Denver. It should be noted first that this conclusion was apparently reached by including consideration of Denver employment in 1949 and disregarding Denver employment in 1944. Also, it should be noted that only a small portion of this employment performs headquarters functions. Most of those employees are engaged in field activities which because of their complexity from an engineering viewpoint were treated specially in carrying out the decentralization policy.

The findings and recommendations on personnel management criticize the degree of supervisory control exercised by the Division of Personnel Management, Office of the Secretary, over the bureau personnel programs and recommend that the Division be given more authority to control personnel policies and procedures in the bureaus. The authority of the Secretary is already delegated to the Division through the Administrative Assistant Secretary for the direction of the personnel

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management program of the Department. The cited examples of lack of uniformity in the bureaus in respect to organization of the personnel function, delegation of appointing authority, staffing ratios, and classification of personnel positions are not conclusive that there is inadequate control. Personnel management is an integral part of the managerial function exercised by all of those who direct the work of other employees. The personnel offices supply specialized competence to aid the administrators and supervisors in meeting this responsibility. Accordingly, there should be differences in applied personnel management in the bureaus which differ in size, scope of operations, and organization. Personnel programs are necessarily geared to the type of work, the assigned staff, and the recruitment, employment, classification, and training needs of the bureau or smaller organizational units concerned. For example, the extent of delegation of appointing authority is influenced by the adequacy of the personnel staff at a particular field station, which may vary from a large regional office to a small project field unit; organizational pattern, similarly, has been varied to adapt to a particular installation the performance of essential functions with appropriate staffing.

I note that the current over-all ratio of personnel staff to total employment is stated in your report to be within the allowable limits prescribed by the Bureau of the Budget. The decrease in this ratio from 1 : 132 in 1940 to 1 : 110 in 1950 reflects the earlier understaffing of the personnel offices, the development of programs for training and personnel utilization, the adding of new requirements by law and regulation to the responsibilities of the personnel staff, the delegation by the Civil Service Commission of certain functions to this Department, and the more complex administrative load created by the war and the readjustment period, now succeeded by the problems of the present emergency.

Your recommendation that the Division of Personnel Management aggressively examine and evaluate personal management in the bureaus is entirely acceptable, of course, and is in line with current undertakings. The recommended standardization of organization, of staffing, and of delegated appointing authority will be considered for furtherance to the extent that uniformity is practicable and economical in its application to the differing needs of the various bureaus, as outlined above. The recommended development of classification standards, which apparently is based on the difference in average salary of personnel employees in different bureaus rather than on the absence of classification standards as applied, will be studied to assure that differences in work rather than in classification standards account for the reported statistical range in the average salary. Uniformity of classification standards and of application of the standards is a continuing part of our personnel-management program.

The report contains various comments concerning fiscal matters within the Department and recommends among other things that the staff of the departmental fiscal officer be increased. Such comments and recommendations will be fully examined and appropriate action will be taken where desirable or feasible in connection with the fiscal operations of the Department. The Budget and Accounting Procedures Act of 1950 provides for the Department to assume greater responsibilities with respect to accounting and fiscal matters. To accomplish the purposes of the act will require time and in many instances the cooperation of the General Accounting Office, Treasury Department, the Bureau of the Budget, and the Department in order to carry out the fiscal and accounting requirements.

The report states that the fiscal officer of the Department exercises control only over budget preparation and the apportionment and allocation of funds, and provides no control, and very little guidance, over accounting, auditing, and payrolling activities of the bureaus. The Division of Budget and Finance does assume responsibilities over the budgeting, accounting, auditing, and payrolling activities of the bureaus. This is accomplished through contacts with the appropriate officers of the bureaus, prescribing of procedures, and conducting surveys. The Division has established, with the cooperation of the bureaus and offices, charts of allotment accounts that integrate the accounts with the approved budget. The Division has established a system of financial control that requires the approval of all allotments or modifications thereto under each appropriation by major activities or projects and for the reporting of obligations incurred under approved apportionments broken down by appropriations, major activities, and projects thereunder.

The report states that the Division of Budget and Finance, on the staff of the Secretary, is organized and staffed to carry out the administration on the principle of decentralized operations with a central control but that the carrying out of this principle has been retarded by weak and ambiguous departmental orders

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which establish the responsibilities and authorities of the Division. The Department denies that the responsibilities of the Division of Budget and Finance have been retarded by weak and ambiguous departmental orders. Since 1943, when the Division was established, the Department has issued a series of orders, all designed to strengthen the budgetary and financial operations of the Department.

The report states that the responsibility of the Secretary for fiscal management is now established by law and has long been implied, yet the Department has not crystallized its relations with the bureaus. The bureaus and offices are cooperating and acting under the guidance of the Division of Budget and Finance with respect to accounting and fiscal matters. The modification of the accounting systems of the Bureaus of Reclamation and Land Management have been carried forward under the cooperative effort of the Department and the General Accounting Office. At present the accounting system of the Bureau of Indian Affairs is under examination, and the Department and the General Accounting Office are assisting the Bureau of Mines in connection with the decentralization and modification of the accounts of that Bureau.

The report states that the recent reduction in the number of appropriations suggests a simplification of both budget preparation and accounting with a corresponding reduction in personnel, but that there is no evidence that present planning is directed toward this reduction. The improvement in the appropriation structure will facilitate both budget preparation and accounting but not to the extent that reductions in personnel can be foreseen at this time and certainly no reductions corresponding to the decrease in number of appropriation items. The Department is committed to present in practically as much detail as heretofore data by activities and projects in support of appropriation requests and in reports on expenditure programs. Furthermore, the House Committee on Appropriations in its reports on Interior Department appropriations for 1950 and 1951 has directed the Department to develop more statistical and workload data in connection with the budget estimates. Thus it may be expected that there will be no decrease in the volume of work of the budget and accounting functions. In this connection it should be noted that the budget staffs in some of our bureaus are inadequate, a fact recognized by the committee report.

The report states that the staff at the secretarial level does not concern itself with the budget methods or personnel used in the individual bureaus. During the past few years the Division of Budget and Finance has been instrumental in establishing a pattern for the fiscal organizations in several of the bureaus and offices and has been responsible for many improvements in the budget and accounting methods. This is reflected in the revision of the appropriation structure and the integration of accounts with the budget. This work will go forward and it may be expected that further efforts will effect a better utilization of personnel on budget operations. Complete uniformity in budget and accounting functions will not be practical, however, in view of the diversification of activities, differences in organizational structure, administrative requirements, and special accounting requirements for certain operations.

The report states that the accounting in the Department lacks uniformity. For the reason that the programs of the bureaus and offices of the Department are varied and diversified, the accounting must be patterned to fit management needs of such bureaus and offices. The objective is to obtain accounting uniformity within the Department without conflicting with the pattern required to meet management needs.

The report states that the Secretary's Division of Budget and Finance is responsible for the coordination of accounting throughout the Department, but it is not adequately staffed or clearly authorized to discharge this responsibility, and that additional personnel assigned at this point would obviate the need for many employees at related points throughout the bureaus. The staff of the Division of Budget and Finance has recently been augmented in order to assume further responsibilities in accounting and fiscal matters. The Division is participating in the joint effort of the General Accounting Office, Bureau of the Budget, and the Treasury Department to improve accounting within the Department. The leadership of the Department in the cooperative accounting improvement programs is spearheaded by the Division of Budget and Finance. Surveys have been made with respect to certain bureaus and offices of the Department and other surveys are planned for the future. The objective is to obtain adequate accounting for each bureau and office of the Department and to eliminate duplication of effort.

The report states that the Bureau of Reclamation has made progress toward the development of a workable accounting system and that it has now reached a point where a complete reappraisal should be made to consolidate or eliminate

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some of its accounting activities. During the past 2 years the Department and the General Accounting Office have cooperated with the Bureau of Reclamation for the purpose of improving the accounting and fiscal procedures of that Bureau. Under date of October 6, 1950, in a letter to the Secretary, the Comptroller General stated the following:

"There has been received a letter from your office of July 25, 1950, requesting formal approval of the accounting systems of the Bureau of Reclamation, which has been developed by representatives of your office, the Bureau of Reclamation and this office. Subject to the qualifications noted in the letter from your office, and with the understanding that the system will be revised from time to time to meet changing requirements, the system as developed and submitted has the approval of this office."

The report states that accounting operations of the Fish and Wildlife Service, the Bureau of Indian Affairs, the Bureau of Land Management, the Bureau of Mines, the Geological Survey, and the National Park Service are costly and that little thought is being given to a major overhauling of the system which would enable a more efficient operation with fewer employees. Surveys have been made in certain of the bureaus indicated. Such surveys have developed that the accounting systems were not adequate and that improvements were necessary. Under such conditions it is essential at times to increase costs since better qualified and additional personnel are required to operate adequate systems. Of course, it is desirable to obtain efficient operation with fewer employees when it is practicable to accomplish such results.

The report states that one of the fundamental requirements of the General Accounting Office for an on-site, business-type audit is a satisfactory system of post audit in the agency involved, and that only three bureaus of the Department are meeting this qualification. It further states that internal pre-audit, or voucher examination, is handled differently in all of the bureaus. The Budget and Accounting Procedures Act of 1950 provides in section 119:

"The head of each executive agency is authorized to designate the place or places, at the seat of government or elsewhere, at which the administrative examination of fiscal officers' accounts will be performed, and with the concurrence of the Comptroller General to waive the administrative examination in whole or in part: * * *"

Accordingly, steps have been taken to determine the field offices that will perform this function as well as the auditing of vouchers. It is planned to discuss this matter with the General Accounting Office and the Treasury Department at an early date to determine the most favorable method for decentralizing these functions. This arrangement will eliminate duplication in the central offices of the bureaus and offices. With the cooperation of the General Accounting Office, determination will be made that the voucher auditing is performed satisfactorily and that the accounting records are adequate to permit on-site audits.

The report states that as a result of efforts put forth by the budget, the operation and accountability for payrolling has recently been made the responsibility of fiscal management but that like the other functions of fiscal management, there is no uniformity of objectives or methods in the payrolling operations of the bureaus. The payroll operation, including leave, savings bonds, taxes, and retirement accounting is the responsibility of fiscal management. This policy was established by the Department's letter of instruction contained in Budget and Administrative Management Letter No. 132, dated June 6, 1949. Owing to the number of wage board, intermittent and other changing types of employment in the Department, it is necessary to operate different payroll systems, viz.: (1) system prescribed by the Comptroller General in General Regulations No. 102, as amended, (2) comprehensive payrolls as respecting wage board and temporary employees, whose earnings change practically each pay period, and (3) a system designed to combine (1) and (2) into a single operation, thereby reducing operating costs as much as 50 percent in certain instances. Payroll operations must be performed at the accounting offices in order that employees may receive the checks on the day due as well as for the obligation of funds. Payroll operations are under constant study and examination in an effort to reduce costs throughout the Department.

The report recommends that the Division of Budget and Finance be activated as the focal point for all funds appropriated to and expended in the Department; that there be a more consuming relationship between the Division of Budget and Finance and the directors of the several bureaus; that the bureau directors appraise the present fiscal activities within their respective bureaus in order to install a more meaningful fiscal system to be used as a tool for better bureau management;

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that the staff of the Departmental fiscal officers be increased; and that additional qualified personnel be assigned so that improvements in the fiscal management of the bureaus can be accelerated toward a reduction in total bureau employment. The recommendations will receive the careful consideration of the Department and appropriate action will be taken wherein they are desirable or feasible at the earliest practicable date.

The report recommends that the Divisions of Property Management and Administrative Services, Office of the Secretary, prosecute a thorough reorganization of the procurement activities in the bureaus' headquarters offices, and that methods and controls be promulgated to insure a marked reduction in operating costs. I am pleased to point out that the Division of Property Management was established early in the current year to promote economical and effective procurement and property management, in recognition of the need for strengthening and improving our administrative practices in these fields. In a relatively brief period, progress has been made and the small staff available for this function will continue to appraise bureau practices in order that further tangible improvements may be made.

I do not agree, however, that the statistics of your report fairly support the otherwise unsubstantiated finding that procurement activities throughout the headquarters of the Department are wasteful. The statistics show that the average cost was $9.95 for making each of 38,725 purchases having a total cost of $53,770,867. The very same statistics also show that the average amount of each purchase was approximately $1,390 and that the average cost per purchase of $9.95 was therefore only seven-tenths of 1 percent of the amount of the average purchase. Further, in applying the so-called average cost per purchase order in the various bureaus to specific instances of very small purchases, the report creates the erroneous impression that a cost of $13.78 was entailed to issue a purchase order in the amount of 32 cents, and that it cost $13.39 to purchase a 50-cent magazine. The small purchase of 50 cents did not, in fact, cost $13.39 and the 32-cent order did not cost $13.78. Those average costs are statistically applicable only to the average purchase. Those average costs are no more validly applicable to the small purchase than they are to a companion purchase of great complexity and involving many thousands of dollars. For example, a purchase of equipment in one of the bureaus mentioned in the report involved an order in the amount of $31,622 and required considerable work on a relatively complex purchase. It should no more be represented that this large purchase was made at so low a cost as $13.39, the so-called average, than that the small purchase was made at so high a cost.

It is recognized to be true, of course, in Government as well as elsewhere, that the cost of processing orders of small amount is disproportionately higher than that of larger orders. To minimize this, instructions have already been issued to curtail small orders to the irreducible level practicable without incurring excessive inventories and unreasonably encumbering the day-to-day operations.

In further reference to the publicized purchase of the 50-cent magazine, it should be noted that the original purchase order of August 15 was canceled on August 28, prior to the inspection of these purchase orders by your investigational staff, and the order thereafter consolidated with 16 other small purchases dating from July 3, 1950, to September 28, 1950. A single voucher was then issued in payment of the 17 small purchases in accordance with the procedure prescribed by General Regulation 103 of the Comptroller General. Thus, this Department has been castigated by the press, as well as the report, on a matter which is not only factually in error, but which represents misuse by the report of the statistics contained in it.

The concern expressed by the committee over the production rate of 1.4 purchase order per employee possibly is based on a failure to take into account that the data on purchasing personnel included not only those issuing purchase orders, a very minor procedural step, but also those otherwise engaged in the total procurement operation, including the writing of specifications, the analysis of bids, the interpretation of regulations, and the awarding of contracts. My foregoing comments on average costs applies here as well.

Your report recommends that an adequate management improvement program be devised by the Department in accordance with the provisions of Executive Order 10072. I call your attention to the reports which the Department and the bureaus submitted to the Bureau of the Budget with the fiscal year 1952 budget submission, copies of which were furnished the subcommittee. These not only set forth the management improvement accomplishments but also delineate our currently developed program in this field. I feel that we have developed an

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adequate management improvement program throughout the Department. Some further action is necessary and will be taken to implement that program. The findings, however, give no recognition to the work being done in this implementation. As an example of this work, the Department presently has under consideration the conclusions of a study made by a private management engineering firm, recommending specifics on improvements in the Department's management review and appraisal systems. These conclusions go to the heart of the provisions of Executive Order 10072. Furthermore, that same management engineering firm, under contract with the Department, has completed a detailed review of the organization and management practices of the Bureau of Indian Affairs. That Bureau is now taking specific action on the basis of these recommendations. These studies were financed by the President's Management Improvement Fund.

In view of the foregoing considerations, I am at a loss, without further information, as to the effectuation of either your first recommendation on management improvement, as discussed above, or your second recommendation on the subject. The latter provides for the detail of Reclamation and Land Management personnel to other bureaus to initiate management improvement programs.

The conclusion of the report that with few exceptions there is little concern in the Department with improvement of management and administration seems to be predicated on the lack of a formal organization and methods staff in every bureau. The Department has insisted upon the maintenance of formalized organization and methods staff only where the workload which such staff could perform would justify their maintenance. I must point out that, contrary to the implication of the report, the President's directive and our own subsequent instructions on management improvement were directed at the responsibilities of "management," i. e., the key officials at all levels of the Department. The Bureau of the Budget and this Department have evaluated management improvement not in terms of formalized management staffs, but in terms of accomplishments of the total organization involved. I call your attention to the reports referred to above on the accomplishments of the bureaus and the Department in improving our management. I welcome criticisms and suggestions for improvement, but I do not find the report particularly helpful in this regard.

The report states that the Office of Territories represents an area of unsatisfactory administration in the Department. Only a few brief comments are indicated as a basis for this conclusion and no recommendations are made; therefore, I cannot consider this portion of the report as being constructive criticism. Aside from this, however, I am at a loss to determine the basis for the conclusion indicated. So far as can be ascertained, apart from questionnaire information on personnel and budget and finance activities, the only contact by members of the investigational staff with the Office of Territories was one brief interview with the administrative officer and a brief conversation with the personnel officer. The report indicates that the 71 employees of the Washington staff were unable to supply factual information about the administration of their programs. It should be noted by your subcommittee that the printed hearings of the House and Senate appropriations committees for 1950 contain at least 200 pages of detailed factual information on these activities. In addition, detailed monthly reports on field activities are available at all times in the Office of Territories. It is true, however, that detailed information on personnel operations in the Territories is not maintained in Washington.

It should also be noted that this fiscal year represents the first year in which funds for the administration of Territories were provided for by one appropriation administered by the Office of Territories. Until this year individual appropriations for each of the Governors was made, which complicated the problems of centralized administration and control. Further, in terms of interest in the improvement of management in the Office of Territories, it should be noted that no mention was made of the fact that under the auspices of the President's management improvement fund studies were conducted by that Office this year of Guam, American Samoa, and the trust territories; and that constructive action is being taken in each of these areas based on the studies. In addition, representatives of the Office of Territories worked with the Governor of the Virgin Islands in improving the financial and personnel aspects of his administration.

It is difficult to see how a conclusion of unsatisfactory administration in the Office of Territories can be predicated upon brief discussions and statistical reports concerned almost entirely with personnel procedures and staffing information.

The report refers also to the Geological Survey as an area of unsatisfactory administration but makes no direct recommendations for improvement. It is

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true that the Geological Survey is organized into four functional divisions and that their activities are of a scientific and professional character, but it is not true, as is implied, that any division operates unilaterally to the detriment of the best interests of the Survey as a whole.

The statement is made that the Geological Survey has paid little attention to the Department's efforts to decentralize its activities closer to the scene of operations. The Survey maintains 400 field offices staffed by 67 percent of its total force. These field people, located in small water and conservation offices or the field parties making geologic and topographic maps at the sites to be mapped, are located at the scene of operation. The remaining 33 percent usually charged against the Washington headquarters includes 240 people constituting the field force of the Atlantic States topographic region; an additional 124 employees to operate the map printing plant which services all divisions of the Survey; and the 176 employees of the Trimetrogon Section, financed by the Air Force, performing photogrammetric work which must be carried on in close liaison with the Air Force headquarters. Thus, it is recognized that a portion of the Survey staff located in Washington is here because Washington is its particular scene of operation, not as headquarters staff. Thorough analysis and consideration are required before sound conclusions could be reached on an alternative functional plan for the Survey's operations which might provide for less concentration of the staff here.

The statement, "each of the divisions maintains separate administrative services (facilities), including budget, personnel, accounting and procurement" implies that there is overstaffing and inefficiency because of this practice. The number of employees so engaged in total falls far below any prescribed staffing standards or ratios and compares favorably with good practice outside Government. There are no budget staffs as such in the division organizations. There are, however, operating personnel who are responsible for budget matters.

The Survey has only such personnel staff at the division level as is required to consolidate personnel actions and problems as they flow in from a wide dispersal of field offices. Although personnel records may be duplicated in part between the bureau and the division level, the Survey is well aware of this problem and has, for some time, been making progress toward its solution.

Any duplication in accounting staffs or operations is rapidly disappearing. In comparison to the accounting problem involved, the Survey has an economical and efficient fiscal organization.

The statement with respect to procurement is unfounded. Day-to-day procurement needs are provided by purchase in the field on the job. Purchase of specialized equipment and all headquarters needs are cleared through one central purchasing office. This has been the procedure since well before the investigation.

With respect to storerooms and warehousing, the Survey now has one central storeroom for all units located in downtown Washington, and under the newly inaugurated system of property management and control, there is no segregation of equipment by any system of storing, accounting, or use.

I appreciate your courtesy in providing me this opportunity to comment on the preliminary report.

Sincerely yours,

OSCAR L. CHAPMAN,
Secretary of the Interior.

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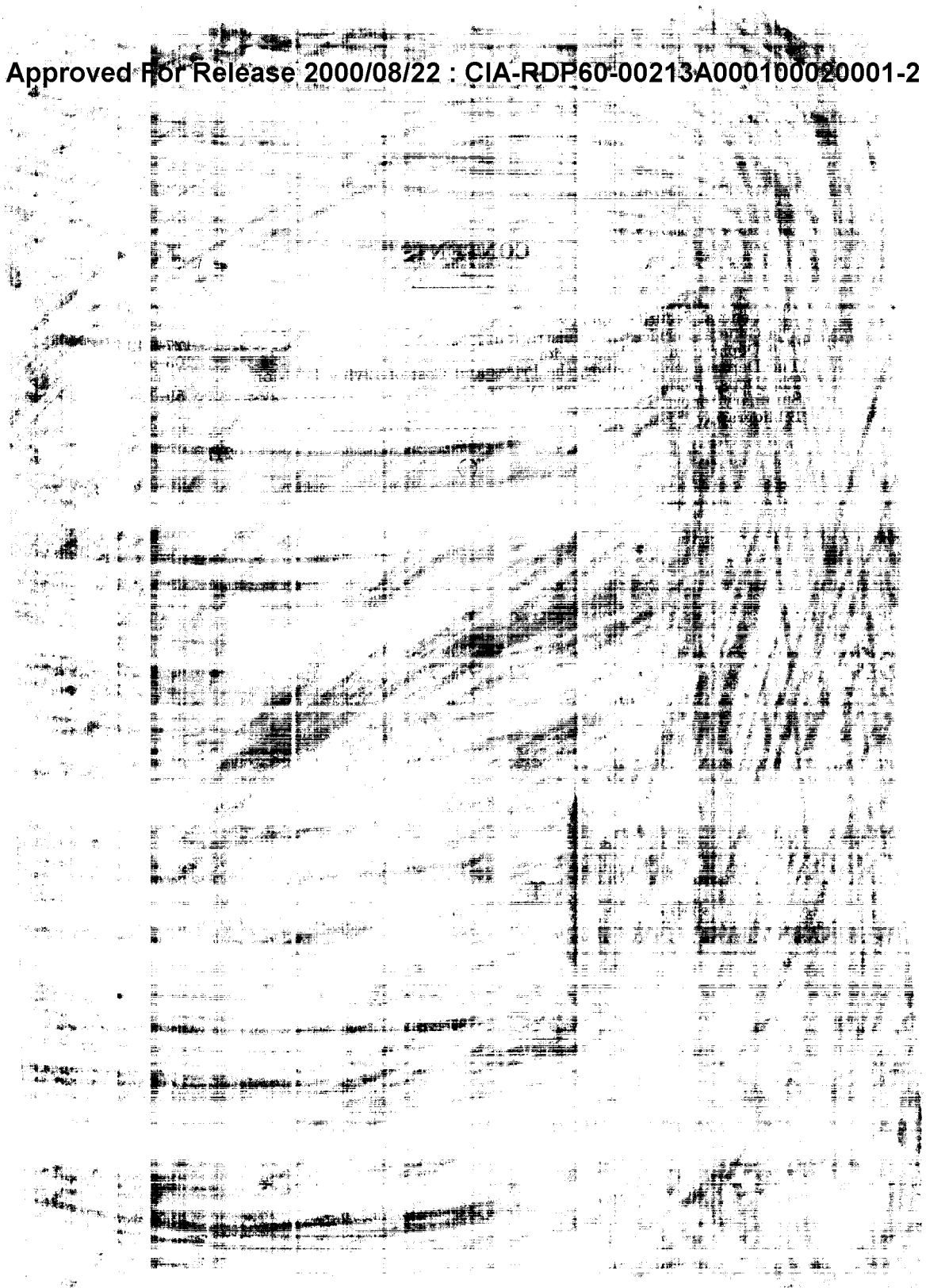

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ORGANIZATION OF FEDERAL EXECUTIVE DEPARTMENTS AND AGENCIES

MARCH 3, 1951.—Ordered to be printed

Mr. MCCLELLAN, from the Committee on Expenditures in the Executive Departments, submitted the following

REPORT

The Committee on Expenditures in the Executive Departments submits herewith a chart [1] outlining the organization of Federal executive departments and agencies, with personnel assignments to each operating unit down to the division level, as of January 1, 1951. Similar charts have been prepared indicating organizational breakdown and employee assignments at the end of each Federal fiscal year as of July 1, and at the end of each calendar year on January 1, beginning January 1, 1947.

REORGANIZATIONS EFFECTUATED DURING 1949 AND 1950

The Commission on Organization of the Executive Branch of the Government, better known as the Hoover Commission, submitted its reports to the Congress, pursuant to Public Law 162 of the Eightieth Congress, early in the first session of the Eighty-first Congress, incorporating approximately 300 specific recommendations for reorganizations in the executive branch. It was estimated that 114 of these recommendations could be effectuated by administrative processes and required no legislative action. With a view to implementing the remaining recommendations, a total of approximately 350 separate bills and resolutions were introduced during the Eighty-first Congress, of which 70 were enacted into law. The President submitted in addition thereto a total of 35 reorganization plans, under provisions of the Reorganization Act of 1949, 27 becoming effective.

These actions have resulted in numerous reorganizations within a majority of the departments and agencies of the executive branch of the Government, and are estimated to have effectuated 50 percent of the recommendations of the Hoover Commission. All such reorganiza-

[1] For sale at Superintendent of Documents, Government Printing Office, Washington 25, D. C.—Price 20 cents.

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tion changes, including laws, reorganization plans, and administrative actions, are reflected on the chart insofar as they have been carried into effect as of January 1, 1951. Other reorganizations authorized by Congress are still in the study or formative stage, and further actions taken for the implementation of the various acts and reorganization plans will be reflected in future charts as released by the committee.

NOMENCLATURE

The chart reflects continued improvement in nomenclature standards, in accordance with recommendations made by this committee in a special report to the Senate in the Eightieth Congress (S. Rept. No. 243) designed to establish uniform organizations in all operating branches of the Federal Government. The Hoover Commission endorsed these recommendations in its report on General Management of the Executive Branch, and many of the agencies have generally conformed to the suggested program in effecting changes in their organizational structure.

During the Eighty-first Congress, reorganization plans or acts were approved vesting full reorganization authority and functions in the heads of certain agencies and in the Secretaries of all departments of Cabinet rank, with the exception of the Department of Agriculture. The effect has been to eliminate statutory restrictions which have heretofore prevented the Secretaries from changing the structure of the various components within the respective departments, and provides adequate authority to permit of further conformity to the nomenclature formula proposed by this committee.

The general nomenclature pattern suggested was as follows: Departments (agencies, commissions, administrations, or corporations); services; bureaus; divisions; sections; and units. The latter two components are not generally reflected in detail on the accompanying chart, the organization structure being limited in most instances to include only those through the division level. Some agencies have found it desirable or necessary, however, to report organization structures below the division level, in order to clearly indicate existing components and present operations. These are listed in the chart summary as miscellaneous and functional operations. An additional top administrative control, usually designated as "Office," is generally followed throughout all agencies. This component is utilized in a department or agency or any of the lower echelons down to the division level, when reflecting an intraorganizational central control common to lower components.

To illustrate the continuing need for further changes to reflect accurately the relative status and importance of components, the Department of the Treasury can be cited as an agency requiring revisions in organizational structure. Of a total of 118 components, 36 of them are functional or outside the recommended nomenclature structure. Under that Department, the Bureau of Accounts, the Bureau of Customs, the Bureau of the Public Debt, and the Bureau of Engraving and Printing follow generally the recommendations of the committee, while the Bureau of Internal Revenue continues to use a unit designation for three of its components, covering approximately 50,000 employees. The Bureau includes an Accounts and Collections Unit employing 33,910 persons, or more employees than are reported by

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the Departments of State, Justice, or Labor, and its Income Tax and Alcohol Tax Units are larger and have more employees than the Bureau of Accounts and the Bureau of the Public Debt. The first two units are larger in personnel than the Bureau of Customs, the Bureau of Engraving and Printing, and the Coast Guard, and far larger in personnel assignments than the average division in other departments. Conversely, the United States Savings Bonds Division, and the Office of the Treasurer of the United States, are larger than the Bureau of Narcotics, and the Office of the Treasurer has more personnel than the Bureau of the Mint. Since these components are of sufficient importance and their specialized responsibilities comparable to the normal bureau activity, uniform nomenclature would seem to indicate that the Office of the Treasurer should carry the normal bureau designation, with the units under the Bureau of Internal Revenue designated as divisions, and the Savings Bond Division absorbed into another bureau as a division thereof or elevated to bureau status with its functional components consolidated into divisions.

Some of the departments and agencies have been in consultation with the staff of the committee whenever organizational changes were to be effected, in order that general conformance to the nomenclature standards recommended by the committee and approved by the Hoover Commission may be accelerated. Other committees of the Congress have pointed out in their reports from time to time areas in which there could be improvement in line with these recommendations. In conformity with this policy, the committee will continue to urge the departments and agencies to establish organizational structures in a manner calculated to eliminate functional designations, and to promote uniformity of nomenclature for all major and constituent components throughout the Federal Government.

COMPONENTS

All departments and agencies reported a total of 1,875 operating components to which personnel assignments were made on January 1, 1951. These figures include only the central office administrative breakdown, with field installations counted as only one component, regardless of the number of employees engaged in field work. The number of field units is included in brackets after each such designation, where reported. The present total of 1,875 compares with 1,880 components included on July 1, 1950, and 1,816 incorporated in the committee's report of September 1, 1948, on which the Hoover Commission's studies were based.

Many of the establishments continue to adhere to functional designations rather than to uniform nomenclature, and a number of them report components of minor importance, rather than conforming to the committee's request to include only those components of a division level and above.

Deviations from the prescribed formula are particularly noticeable in the following departments: The Department of the Army lists 29 components of standard nomenclature and 40 miscellaneous and functional designations. The Department of the Air Force lists only 19 conforming to standards prescribed, with 59 functional designations. The Navy has 80 of 143 conforming to the general formula,

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but one of its variations is a supply "department" in the Marine Corps. The Department of the Treasury reported 36 miscellaneous and functional components out of a total of 118, but, as pointed out above, internal variations show a wider deviation than these statistics indicate. On the other hand, the Department of State reported only 11 components out of a total of 103 outside the designated category. A breakdown of its structure, however, shows an abuse of the use of "Office," which appears 62 times, and only 6 "Bureaus" and 20 "Divisions." In a majority of instances one of these designations would probably be more descriptive and preferable. The Departments of Justice, Labor, Commerce, Agriculture, Post Office, and Interior have made some progress in eliminating miscellaneous and functional designations outside the prescribed categories which reported in the following ratios: Justice, 14 of 45 total; Labor, 4 of 90; Commerce, 26 of 163; Agriculture, 18 of 117; Post Office, 14 of 56; and Interior, 19 out of a total of 139 components.

The Veterans' Administration has resorted to the use of "Services" no less than 57 times, instead of the normal "Division" designation, thus going counter to the Hoover Commission's specific recommendation that "Services" should be used to group large related and coordinated activities of bureaus or other high echelon groups. The independent agencies as a whole, however, show a somewhat closer conformity with the proposed formula, with a total of 113 miscellaneous and functional groupings out of a total of 731 (15.5 percent), as compared to the executive departments, with 297 out of a total of 1,126 (26.4 percent) reported. Many of these designations are necessary, however, in both the departments and agencies, to clearly designate certain activities, and the figures are cited merely for comparison purposes.

EMPLOYEES

The total number of employees in the executive branch of the Government has increased by 219,494 during the past 6 months, from 1,945,868, the lowest postwar employment level on July 1, 1950, to 2,165,362 on January 1, 1951. This compares with the postwar peak of 2,262,625 paid employees reported on January 1, 1947, and the previous low of 1,969,899 on January 1, 1948.[2] These figures do not include employees serving without compensation, of which there were reported totals of 42,528 on July 1, 1950, and 86,132 on January 1, 1951. Excluded also are 38,871 uncompensated employees of the Selective Service System, serving as local board members, advisers to registrants, etc. The largest increase in paid personnel during the past 6 months was reflected in the defense agencies. In addition a number of new defense mobilization agencies and emergency departmental components have been established during that period, which will continue to show increased personnel assignments as the respective programs advance.

The over-all increases during the latter half of 1950 are set forth under the various departments and agencies as follows:

Department of Defense.—An increase of 235,894 employees was reported in the Department during the period, from 751,716 to 987,610, such increases being allocated as follows: Office of the Secretary of

[2] For details as to personnel assignments for each period covered in this and previous reports, by departments and agencies, see appendix A of this report.

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Defense, 231; Department of the Air Force, 31,904; Department of the Army, 130,371; and the Department of the Navy, 73,388. These increases are directly attributable to the enlarged responsibilities of the departments in Korea and the present national emergency.

Department of Agriculture.—Total paid employees reported by the Department decreased from 84,007 to 69,479 during the period July 1 through December 31, 1950. This shows a departmental net decline of 14,528, of which 10,592 occurred in the Forest Service. Employment in that agency is highest during the summer because of the seasonal manpower needs for pest control, fire control, and construction work on national forest lands. Other areas of recurring seasonal decline occur in the white pine blister rust control work carried on by the Bureau of Entomology and Plant Quarantine, and in the field activities of the Soil Conservation Service. A reduction in Bureau of Animal Industry personnel resulted from a change in the operations of the foot-and-mouth disease program in Mexico due to the discontinuance of a full-scale vaccination program. The total reported herein compares with 70,986 for January 1, 1950, a decrease of 1,507 during the last calendar year.

Department of Commerce.—There was a decrease of 3,528 employees in the Department during the half-yearly period. The largest reduction came in the Bureau of the Census, now tapering off from the high reached for the Seventeenth Decennial Census. There were seasonal decreases in the Civil Aeronautics Administration, Coast and Geodetic Survey, and Bureau of Public Roads, all of which engage in substantial out-of-doors activity. The Bureau of Foreign and Domestic Commerce, in spite of a substantial increase in its field service, had an over-all reduction due to transfers to the National Production Authority.

The total of 56,799 reported as of January 1, 1951, reflects an increase of 10,593 over the corresponding period in 1950. Included in the over-all increase are a total of 4,551 employees transferred from the United States Maritime Commission to the Department under Reorganization Plan No. 21 of 1950. The new National Production Authority, created since the last chart was issued, reported a total of 789 new employees. The total included 5,808 part-time and intermittent employees who worked a total of 1,267 man-months during the month of December 1950, but does not include 9,105 employees serving without compensation and who are not in the so-called expert consultant category, 285 maritime seamen, and 9 employees of the Government Patents Board, who were reported as being under the jurisdiction of the Department for housekeeping purposes only.

Department of the Interior.—Personnel assignments in the Department decreased by 6,379 from 65,573 (excluding 2,208 positions without compensation) on July 1, 1950, to 59,194 (excluding 2,416 positions without compensation) as of January 1, 1951. This compared with a total of 54,383 in a pay status as of January 1, 1950, or an increase of 4,811 during the last year.

These totals are influenced by two opposing employment trends: decreases occurred in some agencies due to seasonal factors, and increases occurred in others because of new defense responsibilities. In the case of the former the decreases range from about 2,500 for the National Park Service and about 1,800 in the case of the Bureau of

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Reclamation down to a few hundred each for the Bureau of Land Management, the Geological Survey, and Territorial activities.

Opposing this trend are increases due to the setting up of five new defense agencies and moderate increases in the Bureau of Mines and the Bonneville Power Administration. The latter shows the largest increase, amounting to less than 200 positions. The increases are due to the economic mobilization program responsibilities of these agencies. It is expected that the defense administrations will show substantial increases by the time the next report is due.

Post Office Department.—The Post Office Department reported a total of 495,278 employees, a decrease of 1,848 employees during the last 6 months of 1950. This has resulted in a net over-all decrease in the Department during the past calendar year of 40,467, from the postwar high of 535,745 on January 1, 1950, resulting primarily from a reduction in the Bureau of Post Office Operations by 37,737, and in the Bureau of Facilities by 4,041. Contributing to the decrease was the transfer of 4,178 employees to GSA under Reorganization Plan No. 18 of 1950, which was offset to some extent by slight increases in other operations of the Department.

Department of State.—The total personnel assignments represent an increase of 653 persons in the period from July 1, 1950, to January 1, 1951. These increases are chiefly attributable to expanded operations in the international information and education program, the administration of the German and Austrian occupation, and the activities involved in the mutual defense assistance program.

Department of the Treasury.—The Department of the Treasury report indicates a decrease of 932 during the last 6 months, 456 of which were in the Bureau of Internal Revenue. The present departmental employment represents a net increase of 1,331 over January 1, 1950, the Bureau of Internal Revenue increasing its personnel over that period by 2,027 employees, while the Bureau of the Public Debt and the Bureau of Engraving and Printing reported reductions of 698 and 433, respectively.

Department of Justice.—The Department reported an increase of 1,066 employees during the 6-month period, of which 729 were assigned to the Federal Bureau of Investigation, its field service expanding from 6,222 on July 1, 1950, to 6,999 on January 1, 1951. The Immigration and Naturalization Service and the Bureau of Prisons also increased total employees during the period by 251 and 168, respectively.

Commission on Renovation of the Executive Mansion.—During the next 3 months a further small temporary increase in personnel of the Commission will be required for a period estimated at from 6 to 8 months for the purpose of carrying out provisions of Public Law 377, Eighty-first Congress, in respect to the distribution of surplus material from the White House.

Economic Cooperation Administration.—The total employees of the ECA, including 2,209 foreign locals, or aliens, appointed overseas and 139 consultants employed on a part-time basis as advisers, is now 4,009, as compared to 4,482 as of July 1, 1950, an increase of 527 during the past 6 months and approximately 1,000 over the total reported a year ago.

Federal Security Agency.—The FSA reported an over-all increase of 1,192 employees during the last 6 months, from 34,736 to 35,928, which

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represents a net increase of 565 over January 1, 1950, in addition to approximately 450 employees transferred to the Department of Labor under Reorganization Plan No. 19, on May 24, 1950. The Bureau of Public Assistance anticipates an increase of 36 positions during the current fiscal year, and the Bureau of Old-Age and Survivors Insurance an increase of 2,443 positions. These increases are due to the social security amendments, Public Law 734, approved August 28, 1950. The Agency reports that it may also have to develop units to perform its duties as a claimant agency of the National Production Authority in the field of health, welfare, and education.

General Services Administration.—The GSA now reports a total of 26,875 employees as compared to 25,930 on July 1, 1950, and 22,806 on January 1, 1950, or an increase, due to transfers and other accelerated activities, of 4,069 since its creation. This was due to the transfer of 4,178 employees from the Post Office Department under Reorganization Plan No. 18, of 1950 involving building and space management functions. The net increase in the total GSA employment since July 1, 1950, was 945, resulting largely from the expanding defense program workload. During the period dating from July 1, 1950, there was an increase of 11,107 employees in the regional offices, principally due to the transfer of operating activities and personnel from the central office to the Washington regional office.

Increased requirements for personnel may develop as a result of (1) anticipated further expansion and acceleration of activities relating to the procurement, storage, transportation, and disposition of strategic and critical materials; (2) new and additional responsibilities assigned the Administration in connection with the Defense Production Act of 1950 and Executive Orders 10161 and 10200, and National Production Authority amendment to Rubber Order M–2 dated December 29, 1950; and (3) the possibility of expanded and accelerated activities relating to equipping and managing industrial plants and facilities in the national industrial reserve. The extent of the increased requirements for personnel will depend upon future developments in the national defense effort and the assignment of additional responsibilities and workload to General Services Administration.

Housing and Home Finance Agency.—The Housing and Home Finance Agency reported a net increase of 634 employees, from 13,481 to 14,115, since the last report, and 2,104 over January 1, 1950. This included 923 employees transferred from RFC under Reorganization Plans Nos. 22 and 23 of 1950, effective September 7, 1950. The reduction in the Home Loan Bank Board resulted primarily from continued success in selling and transferring the mortgages in the Home Owners' Loan Corporation portfolio. Complete liquidation of the Corporation's activities, except for minor clean-up problems, is scheduled in the next 6 months.

The Agency reported that some increase had occurred in Federal Housing Administration field personnel as a result of the great volume of home building and demand for mortgage insurance, especially during the second half of the calendar year 1950 prior to the imposition of credit controls. There was a decrease of 289 in the total number of Public Housing Administration employees, chiefly occasioned by the transfer of war housing projects under sales contracts included prior to the outbreak in Korea; since the defense emergency, most disposition activity has been suspended pending determination as to the possible defense needs for the properties involved.

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National Advisory Committee for Aeronautics.—The NACA reported 7,139 employees, or 158 less than on July 1, 1950. This represented slight decreases in each of the field installations.

Philippine War Damage Commission.—The Commission reported only 71 employees as of January 1, 1951, compared to 479 on July 1, 1950, and a peak of 1,042 on January 1, 1950. The Commission is scheduled to expire on or before April 30, 1951.

Railroad Retirement Board.—The Board reported a decrease of 159 employees during the past 6 months. This reduction in personnel assigned to the various organization units of the Board since the last report occurred principally because of the more stable employment situation on the railroads, with a resultant substantial shrinkage in the number of claims presented for unemployment benefits. The Board also indicated that, because of this factor, a further gross reduction is planned of approximately 177 in the personnel assigned to the regions who are engaged in the processing of claims with an offsetting increase of 58 in the personnel in the various field offices, the latter increase to take care of the anticipated work demands which are now commencing to develop and are expected to expand in connection with the functions delegated to the Railroad Retirement Board of recruiting manpower for the railroads as a part of the general manpower mobilization program. This net reduction of 119 in the regions will be effected during the next 3 months. This reduction, however, will be partially offset by an increase in the Bureau of Wage and Service Records of about 40 employees for a part of the next 6 months because of the regularly recurring year-end processing of the reports of service and compensation for the preceding calendar year.

Reconstruction Finance Corporation.—The RFC reported a change in personnel from 4,620 on July 1, 1950, to 3,452 on January 1, 1951, a reduction of 1,168 employees. This was due to changes reflected on the accompanying chart, which involved the transfer of 923 employees to the Housing and Home Finance Agency under Reorganization Plans Nos. 22 and 23 on September 7, 1950, and an over-all further reduction of 245 within the Corporation.

The Corporation also reported that the estimated personnel as of July 1, 1951, is approximately 500 employees less than the number reflected in its budget request to the Congress, representing its most recent estimate, and includes economies which were not anticipated at the time the original budget estimates were prepared. The Chairman of RFC pointed out that estimated employment at July 1, 1951, does not provide for personnel to handle loans made pursuant to authority provided in the Defense Production Act of 1950, and reported that the Corporation is just beginning to make these loans and has not yet had sufficient experience to determine the number of employees which will be required to perform this additional work.

Selective Service System.—The agency reports a net increase of 4,045 employees, from 3,715 to 7,760, during the last 6 months, due to the expansion of its activities under the defense mobilization program and raising paid seasonal personnel assignments. Included in the total are 294 commissioned officers of the United States Army, Navy, Marines, and Air Force, on a reimbursable basis and 1 Air Force officer on nonreimbursable basis. Also included in the total are 1,409

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part-time employees. Not included are 38,871 uncompensated employees serving as local board members, appeal board members, advisers to registrants, etc.

Tennessee Valley Authority.—The TVA reported a net increase of 1,238 employees during the last 6 months, from 13,923 on July 1, 1950, to 15,161 on January 1, 1951, due to increases in steam plant, transmission line, and substation construction. The over-all increase over the total reported on January 1, 1950, is 2,297.

Veterans' Administration.—The VA reported a total of 187,464 employees as of January 1, 1951 (excluding 27,862 WOC's), compared to 188,392 (excluding 22,781 WOC's) in employment status on July 1, 1950, a reduction of 928 over the period. The field services were reduced from 174,494 to 172,945, or a net of 1,549, but central office activities increased by 621 employees. Central offices reflecting reduced personnel included: Claims, 41; Construction, Supply, and Real Estate, 481; and Finance, 65; while increases were reported in the Offices of Administrative Services, 89; and Insurance, 261.

The following departments and agencies reported increases in excess of 100 employees since the last report: Executive Office of the President, 178; Department of Labor, 267; American Battle Monuments Commission, 164; Civil Service Commission, 180; and the Panama Canal, 218. Agencies created during the last 6 months reported the following personnel assignments on January 1, 1951: Economic Stabilization Agency, 266; Federal Civil Defense Administration, 99; Defense Transport Administration, 76; Subversive Activities Control Board, 19; Veterans' Education Appeals Board, 12; and the Office of Defense Mobilization, 5.

ORGANIZATION CHANGES SINCE JULY 1, 1950

During the past 6 months there have been numerous organizational changes in the Federal structure, due largely to the national emergency declared by the President on December 16, 1950. Some of these actions have been initiated and effectuated prior to that date under basic legislative authority granted to the executive branch by the Congress. The following is a composite list of the major emergency organizations created under such legislation, when and how effectuated, and the head and present location of such agencies.

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Executive branch organizations

CREATED BETWEEN JULY 1, 1950, AND JAN. 1, 1951

Name	Organizational location	Created by—	Current head	Address and phone
1. Economic Stabilization Agency	Independent	Executive Order 10161, Sept. 9, 1950.	Eric A. Johnston	Temporary Bldg. E, 4th St. and Adams Drive SW., ST. 4200 (Code 135).
2. Defense Transport Administration	do	Notice of ICC Commissioner, Oct. 4, 1950.	James K. Knudson	ICC Bldg., 12th and Constitution Ave. NW., NA 7440 (Code 166).
3. Subversive Activities Control Board	do	Public Law 831, 81st Cong., Sept. 22, 1950.	Seth W. Richardson [1]	Lafayette Bldg., 811 Vermont Ave. NW., EX. 3151 (Code 1253).
4. Office of Defense Manpower	Department of Labor	Executive Order 10161, Sept. 9, 1950.	Maurice J. Tobin	Department of Labor Bldg., 14th and Constitution Ave. NW., EX. 2420 (Code 177).
5. National Production Authority	Department of Commerce	Departmental Order 123, Sept. 28, 1950, amended	Manly Fleischmann	Commerce Department Bldg. ST. 9200 (Code 164).
6. Defense Minerals Administration	Department of the Interior	Department of the Interior Order No. 2665, Dec. 4, 1950.	James Boyd	New Interior Bldg. RE. 1820 (Code 181).
7. Defense Power Administration	do	do	Clifford B. McManus	Do.
8. Defense Solid Fuels Administration	do	do	Charles W. Connor	Do.
9. Defense Fisheries Administration	do	do	Albert M. Day	Do.
10. Petroleum Administration for Defense.	do	Department of Interior Order No. 2591, Oct. 3, 1950.	Oscar L. Chapman	Do.
11. Office of Requirements and Allocations.	Department of Agriculture, Production and Marketing Administration	PMA Instruction 101-4, Sept. 18, 1950.	F. M. Rhodes	Department of Agriculture Bldg., 14th and Independence Ave. SW. RE. 4142 (Code 161).
12. Office of Materials and Facilities.		PMA Instruction 101-5, Sept. 18, 1950.	L. B. Taylor	
13. Administrator's program staff		PMA Instruction 101-6, Sept. 18, 1950.	H. I. Dunkelberger	
14. Price policy staff		PMA Instruction 101-7, Sept. 18, 1950.	J. M. Thompson	
15. Office of Defense Mobilization	Executive Office of the President.	Executive Order 10200, Dec. 16, 1950.	Charles E. Wilson	Executive Offices Bldg. EX 3600 (Code 189).
16. Federal Civil Defense Administration (see below also).[2]	do	Executive Order 10186, Dec. 1, 1950.	Millard F. Caldwell, Jr.	Rochambeau Bldg., 815 Connecticut Ave. NW. EX. 3300 (Code 189).
CREATED AFTER JAN. 1, 1951				
Federal Civil Defense Administration.[2]	Independent	Public Law 920, 81st Cong., Jan. 12, 1951.	Millard F. Caldwell, Jr.	Cafritz Bldg., 1625 I St. NW. ST 0525 (Code 1251).
Defense Production Administration	do	Executive Order 10200, Jan 3, 1951	W. H. Harrison	Commerce Department Bldg. ST 9200 (Code 164).

[1] Board members not yet confirmed.
[2] Originally created by Executive order within the Executive Office of the President; later established by legislation as independent agency.

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The following is a brief summation of internal reorganizations effectuated during the past 6 months as reported by the indicated agency:

Executive Office of the President.—The Office of Defense Mobilization was created under authority of the Defense Production Act of 1950, approved September 8, 1950, by Executive Order No. 10193, issued by the President on December 16, 1950, and as of January 1, 1951, only five persons were assigned to the Office. The Federal Civil Defense Administration, originally created by Executive Order No. 10186 on December 1, 1950, within the Executive Office of the President, was established as an independent agency under authority of Public Law 920, Eighty-first Congress, effective on January 12, 1951. This agency reported a total of 99 employees as of January 1, 1951.

Department of Agriculture.—There have been no major reorganizations in the Department of Agriculture during the past year, except in the Production and Marketing Administration as explained below, although there has been a considerable defense program impact on its operations. The Department has been assigned full responsibility for the defense food program and other responsibilities relating to lumber and the distribution of farm equipment and fertilizer. In addition, many activities are being pursued at the request of, or in cooperation with, the National Securities Resources Board, the National Military Establishment, and other agencies. For example, many of the Department's resources are devoted to research and other activities in connection with biological warfare and atomic attack. To meet these many defense needs, the entire Department operates as an integrated and interrelated agency, incorporating insofar as possible defense activities with related existing program operations and organization. The Forest Service has established a few coordinating positions in Washington and at its regional offices but will call upon its regular employees to do the detail in carrying out its responsibilities with respect to lumber; in the Agriculture Research Administration, the resources of existing facilities and technical manpower have been reassigned and redirected where practicable to defense projects within the respective research fields; and in the Production and Marketing Administration, although two new offices—the Office of Requirements and Allocations, and the Office of Materials and Facilities—have been created for specific defense program purposes, the commodity and other branches, the State and county offices, and other field facilities of the agency will play a major role in the discharge of its defense responsibilities. Other changes resulting from the defense program in Production and Marketing Administration were the abolishment of the Price Support and Foreign Supply Branch and the program management staff, with a reassignment of their continuing functions. Also, the Assistant Administrator for Management was given additional responsibilities for defense coordination and his title was changed to Assistant Administrator for Program Coordination.

Department of Commerce.—The principal organizational developments in the Department of Commerce during the last 6 months of calendar year 1950 have grown out of the increased defense effort. The National Production Authority was established in the Department in September to carry out the responsibilities assigned to the Secretary by Executive order under the Defense Production Act of

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1950. The commodity divisions of the Office of Industry and Commerce of the Bureau of Foreign and Domestic Commerce were transferred to the National Production Authority, and the export control functions which had been located organizationally with the commodity divisions were returned to the Office of International Trade. In addition, the Office of Field Service of the Bureau of Foreign and Domestic Commerce was assigned the job of performing the field programs of the National Production Authority. By January 1, the Office of Field Service had expanded its normal complement of 42 field offices to 59 offices toward a planned goal of a total of 98 offices.

The Maritime Administration also made material internal organizational adjustments to meet its responsibilities in connection with the defense effort. A new Office of Ship Construction was created and several other internal shifts were made. Minor internal organizational changes also occurred in the Bureau of Standards where an Ordnance Development Division, Missile Development Division, and Supply Division were created.

Department of Defense (Office of the Secretary of Defense).—Since the time of the last presentation of similar information on organization and personnel, the position of Assistant Secretary (Administrative and Public Affairs) has been abolished and the position of Assistant Secretary (Manpower and Personnel) has been established. In addition, two new offices have been set up: (1) Military Traffic Service, to provide under one authority efficient and economical traffic management for all agencies or departments of the Department of Defense; (2) Office of Guided Missiles, to provide competent advice for the direction and coordination of activities connected with research, development, and production of guided missiles.

Subsequent to the date of this report the title of Assistant to the Secretary (Foreign Military Affairs and Military Assistance) has been changed to Assistant to the Secretary for International Security Affairs and an Office of North Atlantic Treaty Affairs established under its supervision. Also, the Office of Medical Services and the Armed Forces Medical Advisory Committee have been abolished and an Armed Forces Medical Policy Council established to perform the functions previously assigned to these two separate organizations.

The other three departments comprising the Department of Defense have reported the following changes in organizational structure:

Department of the Air Force.—Three new commands and a Financial Division have been created since the last report was issued: (1) The Northeast Air Command was established October 1, 1950; (2) the Tactical Air Command was established December 1, 1950; (3) the Air Defense Command was established January 1, 1951; (4) the Air Force Finance Division was established January 1, 1951.

Department of the Army.—With the exception of some minor transfers of school and training activities from the armies to the appropriate technical or administrative services, there have been no organizational changes in the Army Establishment since June 30, 1950. Appreciable increases in employment have been effected since the previous report principally in the technical services for procurement, manufacturing, storage, and overhaul and rebuild activities, and in the continental armies for rehabilitation, and staffing of new and reactivated installations and training.

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Department of the Navy.—Four new components have been added in the structure of the Department of the Navy during the past 6 months, as follows:

(1) Physical Disability Appeal Board: This Board was established for the administration of title IV of the Career Compensation Act of 1949 (Public Law 351, 81st Cong.), to consider individual rebuttals in cases where there is disagreement between the Physical Review Council and Physical Evaluation Boards. (2) Physical Review Council: This Council was also established in accordance with the administration of title IV of the Career Compensation Act of 1949 (Public Law 351, 81st Cong.). (3) The Assistant Chief for Research and Development, Bureau of Aeronautics: This office has absorbed the functions and personnel formerly assigned to the Assistant Chief for Design and Engineering of the Bureau of Aeronautics, which latter has been abolished. (4) Military Occupational Classification Project: This is a joint service project formerly completely under the Personnel Policy Board of the Office of the Secretary of Defense. It is now partially conducted on a decentralized basis within each of the three services.

Department of the Interior.—Since the last report the organization structure of the Department was affected by two significant organization changes in the Office of the Secretary, by relatively minor changes in the Bonneville and Southeastern Power Administrations, and by the creation of the defense administrations. Of major importance is the creation of staff divisions for each of the three resource Assistant Secretaries—Water and Power, Minerals, and Land Management—and the abolition of the Division of Power and the Office of Land Utilization which were program divisions reporting directly to the Secretary. Under the new plan each resource Assistant Secretary will have a division reporting to him to assist in program development and in directing and supervising the bureaus and agencies which report to the particular Assistant Secretary. Further, the Oil and Gas Division which reports to the Assistant Secretary for Mineral Resources was relieved of all functions except enforcement of the so-called Connally Hot Oil Act, its other functions being transferred to the Petroleum Administration for Defense. This was done in recognition of the need for placing the facilities of the Department concerning oil at the disposal of the defense program.

The second important change in the Office of the Secretary is the creation of a Defense Production Staff to assist the Secretary in discharging his responsibilities arising out of the Defense Production Act and related Executive orders and delegation orders. This staff was made necessary by the need of the Secretary for advice and assistance on general defense matters. To date, it has been staffed by details of departmental personnel and the utilization of consultants.

The Bonneville Power Administration has realined responsibilities for power operations and for administrative management, which is expected to improve internal administration. The Southeastern Power Administration, which was organized last year, has progressed to the point where several divisions previously approved have been activated. The Administration still is in an early stage of development.

The new units created to administer the defense programs assigned to the Secretary of the Interior are as follows: (1) Petroleum Adminis-

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tration for Defense; (2) Defense Solid Fuels Administration; (3) Defense Power Administration; (4) Defense Minerals Administration; (5) Defense Fisheries Administration. These agencies are in the early stages of organization, and personnel directly employed by them are relatively few in number. In the case of the Defense Fisheries Administration, no specific personnel have as yet been added.

The Department reports that, in the formation of these administrations, every effort is being made, in accordance with the President's desires, to utilize existing facilities of the Department to the maximum, and that in each area, personnel are and will be employed only to perform those functions which would not, on an expanded basis, normally be a responsibility of an existing bureau or office.

Department of Justice.—While there are no pending changes in organization of the Department of Justice, it is reported that some increases in personnel are anticipated, particularly in the Federal Bureau of Investigation and the Immigration and Naturalization Service, in connection with national defense activities.

Department of Labor.—Since the last chart was issued, a Division of Employees Compensation has been established. This authorization was contained in Reorganization Plan No. 19, which became effective May 24, 1950, under which the functions of the Bureau of Employees' Compensation and Employees' Compensation Appeals Board were transferred from the Federal Security Agency to the Department of Labor.

An Office of Defense Manpower was also established in the Department of Labor under Executive Order No. 10161, September 9, 1950, and implemented by General Order No. 48 issued by the Secretary of Labor on September 27, 1950.

Post Office Department.—Following the enactment of Public Law 72, the Post Office Department Financial Control Act of 1950, the functions previously performed by the General Accounting Office for the Post Office Department were transferred to this Department effective November 15, 1950. At the same time 798 positions were transferred, of which 789 were placed in the Bureau of Accounts (Office of the Postmaster General—Comptroller) in the newly formed Postal Accounts Division. The remaining nine positions were assigned to the Chief Clerk and Director of Personnel to handle the increased personnel workload.

In order to secure maximum benefit from this change, the Department reported that plans are being formulated to decentralize the accounting activities to 12 regions in the field. This will be advantageous in that the accounting records will generally be retained at the field accounting offices, which will greatly reduce the distance that such accounting papers must be transported before audit. While it is not anticipated that the acquiring of the accounting functions of the General Accounting Office will in itself produce any tangible savings in money to the postal service, it should eventually reduce over-all Government costs, and it is expected that through the use of better accounting statistics the Department will be in a position to better administer the field service. Before full benefits can be realized it will be necessary to set up a new accounting system which will be integrated with the new budget and appropriation structures.

The organizational changes in the Bureau of Transportation and the Bureau of Facilities in process at the time of the Department's last report on July 27, 1950, have been completed.

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Department of State.—No major organizational change has taken place in the Department of State since the last report. Internal adjustments were reported as follows: The Interim Office of Technical Cooperation and Development has been succeeded by the Technical Cooperation Administration; in the Bureau of Inter-American Affairs, the Offices of East Coast Affairs and West Coast Affairs were abolished and the Office of South American Affairs was established; in the Bureau of Near Eastern, South Asian, and African Affairs, the Office of African and Near Eastern Affairs was abolished and the Office of Near Eastern Affairs and the Office of African Affairs were established; the Office of Management and Budget became the Office of Budget and Finance, and the former Division of Organization became the Management Staff under the Deputy Under Secretary for Administration.

Department of the Treasury.—The Department of the Treasury reported that certain functions incident to the procurement and delivery of distinctive fiber paper were transferred from the Bureau of the Public Debt to the Bureau of Engraving and Printing effective August 1, 1950, and that, as a result, the organizational subdivisions, Division of Paper Custody and Government Mill, formerly included under the Bureau of the Public Debt, have been discontinued. The functions and personnel of the Government Mill have been merged with the Purchase, Storage, and Issue Division of the Bureau of Engraving and Printing, whereas the Division of Paper Custody has been entirely eliminated, resulting in savings of $72,000 annually.

Atomic Energy Commission.—A new field office was established in November as the Savannah River Operations Office and is included in the accompanying chart. The recently established Kentucky Area Office at Paducah is not listed since it is a suboffice of the Oak Ridge Operations Office.

Civil Aeronautics Board.—The Board is now in process of a reorganization to implement Reorganization Plan No. 13 of 1950 and the recommendations made by a firm of management consultants previously retained by the Board. The position of Executive Director has been established and the incumbent is serving as General Manager of the Board's staff. In addition, the Board has announced that there will be transferred to a new Bureau of Air Operations the activities of the Bureau of Economic Regulation and certain functions of the Bureau of Law. These changes have not yet been fully effected but they, and probably others, will be reflected in the chart for July 1, 1951, with detailed information concerning the reorganization.

Defense Transport Administration.—This Administration was created under Executive Order No. 10161, September 9, 1950, and was effectuated through notice of the ICC Commissioner October 4, 1950.

Economic Cooperation Administration.—The Administration reported that the Assistant Administrator for Program now has jurisdiction over all programing policy for the European and Far East activities, while the operational aspects of the programs have been concentrated under the Assistant Administrator for Operations.

The character and purpose of the ECA programs are also undergoing a basic change from economic recovery objectives to the formulation and implementation of plans for economic assistance required to support an adequate defense effort abroad. This change in objective has resulted in considerable redeployment of personnel which

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will continue during the balance of fiscal year 1951, but it is reported that the level of employment will remain about the same throughout the current fiscal year.

Economic Stabilization Agency.—The Economic Stabilization Agency was created as an independent agency under Executive Order No. 10161, September 9, 1950, as a principal component of the national defense program.

Federal Communications Commission.—The Chairman of the FCC reported that a study is presently being conducted of the broadcast activities of the Federal Communications Commission with a view to the possible establishment of a Broadcast Bureau to handle these functions, which will be covered in the next report, if approved.

Federal Power Commission.—The abolishment of the Division of Projects Costs in the Bureau of Power, including the reassignment of its functions to other existing organizational units of the Commission, has been completed. The transfer of executive and administrative functions from the Commission to the Chairman is now in progress, under Administrative Order No. 27, dated November 2, 1950.

Federal Security Agency.—The Office of Special Services has been abolished. In the Office of Education, the Division of School Assistance in Federally Affected Areas has been added to administer the provisions of Public Law 815 of September 23, 1950, and Public Law 874 of September 20, 1950. In the Bureau of Public Assistance, the Division of State Administrative and Fiscal Standards has been established for the purpose of working with the States in improving administrative processes.

Federal Trade Commission.—The Commission has under study changes in its organization which the Select Committee on Small Business of the House of Representatives recently recommended for its consideration, and a further report on progress will be made on July 1, 1951.

General Services Administration.—During the period July 1 through December 31, 1950, organization changes were made as follows: On September 1, 1950, an Emergency Procurement Service was established in the central office to plan, coordinate, and administer all programs assigned to this Administration relating to (*a*) the procurement, storage, transportation, and disposition of stocks of strategic and critical materials essential to the military and industrial requirements of the United States; and (*b*) the procurement of supplies, materials, and equipment and services in connection with foreign-aid assistance programs. The establishment of this Service resulted in the transfer of certain functions and personnel previously assigned to the Federal Supply Service.

On October 1, 1950, the regional office organization of General Services Administration was established providing for 10 regional offices located in areas where there are concentrations of Federal activity and employment.

The establishment of an Emergency (or Defense) Facilities Service in the central office of this Administration is being considered. If established, this Service will be responsible for planning, coordinating, and administering all programs assigned to this Administration relating to the installation of additional equipment, facilities, processes, or improvements in Government-owned plants, factories, and other industrial facilities; the acquisition and installation of Government-

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owned equipment in plants, factories, and other industrial facilities owned by private persons, in accordance with the Defense Production Act of 1950. In addition, responsibility for the management, stand-by preparation, maintenance, and protection of Government-owned industrial plants, machine tools, and equipment in the national industrial reserve in accordance with the National Industrial Reserve Act of 1948 would be transferred to the contemplated service from the Public Buildings Service (National Industrial Reserve Division).

Housing and Home Finance Agency.—During the 6-month period, the principal change in personnel and organization of the HHFA occurred in the Office of the Administrator. The greater part of the increase shown for this office results from the transfer to the agency of some 900 employees pursuant to Reorganization Plans Nos. 22 and 23 of 1950, effective September 7, 1950. Reorganization Plan No. 22 transferred the Federal National Mortgage Association, with the functions of buying and selling insured and guaranteed mortgages, from the Reconstruction Finance Corporation. Reorganization Plan No. 23 transferred from the same organization functions in connection with loans to manufacturers of prefabricated housing or to builders using large-scale site fabrication methods. Under both plans, there were transferred persons employed and unexpended balances of funds, as well as related assets and liabilities held in connection with transferred functions, as determined by the Director of the Bureau of the Budget.

Operations in connection with the college housing program authorized by title IV of the Housing Act of 1950 were suspended due to the developing defense crisis. As a result of this suspension the Division of College Housing referred to in the previous report was eliminated. Operations under this program have been authorized on a very limited scale in connection with the submission of the budget for 1952, with eligibility restricted to defense-connected projects. Due to the limited scale of operations the Division of College Housing will not be reactivated, and responsibility for conduct of this program has been delegated to the Community Facilities Service of this office. While funds will be necessary for administrative expenses of this program, it appears that no over-all increase in personnel will be required, and that the functions can be carried out by reassignment of present personnel made available by declining activity in the program of advances for planning non-Federal public works.

Office of the Housing Expediter.—Since July 1, 1950, three regional offices of the Office of the Housing Expediter were consolidated into one, with three branches—the headquarters located in Washington, D. C. In addition, there was a reduction of 16 area rent offices throughout the United States. Such reductions were the result of decontrol or combination of offices. Under the present law there may be an increasing number of areas decontrolled, unless legislative action is taken to amend the law further. In the event of new legislation, recommendations for which are under consideration, expansion of the program will result as areas are brought under control or recontrolled.

National Capital Park and Planning Commission.—Legislation which would provide for the reorganization of the National Capital Park and Planning Commission is now pending in the Congress and if enacted would involve an increase in the staff of approximately six employees.

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National Capital Sesquicentennial Commission.—During the calendar year 1950 the Commission maintained an average administrative staff of 35 persons to publicize, operate, and manage a number of programs and special events. The bulk of employment was pertinent to the Freedom Fair and a stage production, Faith of Our Fathers. Following the determination by the Comptroller General that the Freedom Fair was impracticable, those employees directly connected with that portion of the program were terminated. At the conclusion of the season for Faith of Our Fathers, further reductions have been made and at January 1, 1951, the administrative staff has been reduced to eight paid personnel.

The present level of administrative employment is expected to remain constant through 1951 except for seasonal increases necessary to produce and service the summer program of Faith of Our Fathers. The Commission's efforts will be confined to a single project, the historical pageant or symphonic drama Faith of Our Fathers, and liquidation of obligations during 1951.

National Labor Relations Board.—Since the report of July 1, 1950, two major changes have occurred in the organization of the NLRB. The Division of Administration has been transferred from the General Counsel's offices to the Board members' offices, and the Affidavit Compliance Section, formerly a part of the Division of Administration, remained under the General Counsel's Offices as a section and a part of the Division of Operations.

The Panama Canal.—There have been no significant revisions of the Canal-Railroad organization since the major reorganization of July 1, 1950. In accordance with the terms of recent legislation the Panama Railroad Company will be renamed the Panama Canal Company and effective July 1, 1951, will include all non-Government activities of the present Canal-Railroad organization. This revision will change the names of the two existing entities, The Panama Canal and the Panama Railroad Company, but will not change materially the subdivisions of these groups. The July 1, 1950, organization was designed to function under the new law which was then in prospect as well as under the laws then in effect.

Reconstruction Finance Corporation.—Pursuant to Reorganization Plans Nos. 22 and 23 of 1950, transferring the Federal National Mortgage Association and prefabricated housing loans to the Housing and Home Finance Agency, 923 employees were transferred to that Agency on September 8, 1950. In addition to this transfer, other reductions in personnel have been made and more are contemplated prior to March 31, 1951. These reductions have resulted from procedural and organizational changes instituted by the Board of Directors in an effort to effect economies without sacrifice of operating efficiency or lessening in any respect the available credit facilities of the Corporation to borrowers and applicants. Certain of the organizational changes were made to clarify the assignment of functional responsibilities.

Some of the changes had been completed by January 1, 1951, and others were in process at that date. The completed changes, which are given effect on the outline of organization and personnel included on the chart, are as follows: (1) Abolishment of the Agency Division and transfer of its functions to other offices in the Washington office; (2) abolishment of the Office of War Activity Liquidation and transfer

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of its functions and personnel to the Office of Loans; (3) establishment of the Office of Investigation by transfer of functions and personnel from the Office of the General Counsel.

The changes which were in process at January 1, 1951, and which are, therefore, not given effect on the accompanying chart, are as follows: (1) Centralization of all field fiscal and accounting functions from 31 loan agencies to 10 area fiscal offices; (2) establishment of a new loan agency at Columbia, S. C., to serve the needs of that State; (3) establishment of the Office of Operations by transfer of functions and personnel from the Office of Loans; (4) establishment of the Office of the Review Committee by transfer of functions and personnel from the Office of Loans.

Subversive Activities Control Board.—This Board was established in accordance with provisions of Public Law 831, Eighty-first Congress, September 22, 1950. It is still in process of organization, and as of January 1, 1951, the Board reported a total of 19 employees, which is expected to be increased to about 55 by June 30, 1951, and eventually to a total of approximately 100.

Veterans' Administration.—The Veterans' Tuition Appeals Board existed on July 1, 1950, as a part of the organization of the Veterans' Administration. However, under the provisions of section 2, Public Law 610, effective July 13, 1950, the name was changed to the Veterans' Education Appeals Board and was set up as an independent agency. The law provides that the compensation and travel expenses of the Board shall be paid by the Veterans' Administration and also the Veterans' Administration shall provide the Board with such stenographic, clerical, and other assistance and such facilities and services as may be necessary for the discharge of the Board's functions.

The organizational title of "Auxiliary Service" in the Department of Medicine and Surgery has been changed to "Outpatient Service," and the title of "Management and Planning Staff" in the Department of Medicine and Surgery has been changed to "Program Analysis Staff."

Since July 1, 1950, the Veterans' Administration has completed and opened for the reception of patients nine hospitals at the following locations: Minot, N. Dak.; Big Spring, Tex.; Saginaw, Mich.; Grand Island, Nebr.; Altoona, Pa.; Little Rock, Ark.; Marlin, Tex.; Spokane, Wash.; Wilkes-Barre, Pa.

Seven Veterans' Administration offices, which are small Veterans' Administration installations under the various regional offices, have been closed during the period July 1 to December 31, 1950, and it is planned to close several more within the near future.

Veterans' Education Appeals Board.—Created as an independent agency under Public Law 610, July 13, 1950, as outlined above.

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APPENDIX A

Personnel Summary

The following table includes all paid personnel (excluding WOC), assigned to each Federal establishment as reported to the committee by the various departments and agencies, as of the dates indicated. The General Accounting Office, the Government Printing Office, the Library of Congress, and the Architect of the Capitol (all within the legislative branch of the Government), and the judicial branch, are excluded.

Organization of executive departments and agencies

Organization	1947		1948		1949		1950		1951
	Jan. 1	July 1	Jan. 1	July 1	Jan. 1	July 1	Jan. 1	July 1	Jan. 1
Executive Office of the President	1,027	1,076	929	892	1,204	1,138	1,169	1,313	1,491
Executive departments	1,790,266	1,655,290	1,581,674	1,690,238	1,698,782	1,730,403	1,607,340	1,605,212	1,815,877
Department of State	22,704	20,696	20,797	21,747	20,126	21,221	23,735	24,727	25,380
Department of Defense: [1]									
Office of the Secretary of Defense			705	1,080	1,263	1,873	1,915	1,970	2,201
Department of the Army	629,194	503,213	377,692	401,972	367,334	368,935	317,387	303,599	433,970
Department of the Navy	377,284	355,929	339,236	346,581	363,415	344,312	288,065	291,694	365,082
Department of the Air Force			111,700	121,103	157,799	168,958	150,743	154,453	186,357
Department of the Treasury	102,447	95,294	85,909	90,416	89,677	87,153	86,990	89,253	88,321
Department of Justice	24,280	24,444	25,070	26,227	26,136	25,925	26,214	26,402	27,468
Post Office Department	458,988	471,787	465,272	498,415	508,321	517,538	535,745	497,126	495,278
Department of the Interior	49,695	52,813	46,039	56,193	49,342	57,801	54,383	65,573	59,194
Department of Agriculture	80,325	87,549	67,851	82,187	71,842	86,247	70,986	84,007	69,479
Department of Commerce	37,600	38,545	37,036	40,935	40,139	46,892	46,206	60,327	56,799
Department of Labor	7,749	5,626	4,460	5,552	5,388	5,548	4,971	6,051	6,548
Independent agencies	471,332	427,822	387,296	372,325	372,685	361,755	352,520	339,343	347,994
American Battle Monuments Commission	87	97	101	121	135	158	372	475	639
Atomic Energy Commission [2]		4,105	4,757	5,018	4,827	4,634	4,828	4,991	5,086
Civil Aeronautics Board	502	547	572	621	672	683	649	629	551
Civil Service Commission	3,440	3,408	3,686	4,043	4,071	4,039	3,604	3,487	3,667
Commission on Organization of the Executive Branch of the Government [3]			37	94	69				
Commission on Renovation of the Executive Mansion [4]							5	5	7
Defense Transport Administration [5]									76
Displaced Persons Commission [6]					116	253	255	256	327
Economic Cooperation Administration [7]				620	[8] 1,757	[8] 2,126	4,070	[8] 2,619	5,009
Economic Stabilization Agency [5]									266
Export-Import Bank of Washington	118	118	113	125	123	124	125	128	127
Federal Communications Commission	1,393	1,329	1,321	1,380	1,354	1,340	1,329	1,286	1,232

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Federal Deposit Insurance Corporation	1,181	1,157	1,158	1,097	1,031	1,090	1,087	1,069	1,077
Federal Mediation and Conciliation Service	(6)	(6)	396	373	377	364	341	330	332
Federal Power Commission	790	777	786	822	838	794	755	737	738
Federal Civil Defense Administration [10]									(10)
Federal Security Agency	31,516	34,405	34,474	36,304	35,921	36,874	35,363	34,736	35,928
Federal Trade Commission	554	604	567	579	643	661	649	655	632
Federal Works Agency	24,420	24,547	22,785	22,401	22,734	(11)			
General Services Administration [12]						29,484	22,806	25,930	26,575
Housing and Home Finance Agency [13]			11,887	11,574	11,517	11,225	12,011	13,481	14,115
Indian Claims Commission [14]		11	11	11	11	11	11	10	11
Interstate Commerce Commission	2,286	2,281	2,257	2,301	2,265	2,162	2,139	2,089	2,067
Joint Chiefs of Staff	192	170	(15)						
Maritime Commission	12,488	9,270	6,840	6,816	6,530	5,332	5,444	(16)	
Motor Carrier Claims Commission [17]							27	27	17
National Advisory Committee for Aeronautics	5,650	5,926	6,061	6,264	6,868	6,938	7,278	7,297	7,139
National Archives	396	384	328	344	380	(11)			
National Capital Housing Authority	280	277	286	284	305	310	316	316	322
National Capital Park and Planning Commission	24	18	21	20	19	19	19	20	18
National Capital Sesquicentennial Commission [18]					2	2	13	35	8
National Housing Agency	18,960	14,531	(18)						
National Labor Relations Board	788	692	827	1,369	1,458	1,399	1,401	1,297	1,341
National Mediation Board	91	94	94	92	92	103	100	104	101
National Science Foundation [20]									(20)
Office of Defense Transportation [21]	74	58	36	44	26	(21)			
Office of the Housing Expediter [22]		8,494	4,665	4,568	4,819	5,226	4,153	2,560	2,523
Office of Scientific Research and Development	130	26	(23)						
Office of Temporary Controls	19,156	(24)							
Panama Canal	27,418	25,556	24,365	23,558	22,996	22,149	21,014	19,026	19,244
Philippine Alien Property Administration	3	110	168	160	151	110	81	56	33
Philippine War Damage Commission	126	357	550	911	924	1,042	1,042	479	71
Railroad Retirement Board	2,559	2,645	2,783	2,390	2,388	2,386	2,424	2,276	2,117
Reconstruction Finance Corporation	9,522	7,718	6,270	5,382	4,623	4,601	4,455	4,020	3,452
Securities and Exchange Commission	1,209	1,159	1,184	1,149	1,159	1,125	1,043	998	1,054
Selective Service System	7,906	1,067	713	815	5,511	5,105	3,648	3,715	7,760
Smithsonian Institution	822	840	860	910	869	856	859	856	863
Subversive Activities Control Board [25]									19
Tariff Commission	227	230	222	220	239	239	222	219	212
Tax Court of the United States	122	123	124	126	122	124	127	121	133
Tennessee Valley Authority	13,431	14,258	14,222	15,223	13,982	13,174	12,864	13,923	15,161
Veterans' Administration	226,896	218,534	201,448	196,858	203,404	195,488	195,535	188,392	187,464
Veterans' Education Appeals Board [26]									12
War Assets Administration	56,575	41,899	30,321	17,129	7,357	(11)			
War Claims Commission [27]							56	99	113
Total	2,262,625	2,084,188	1,969,899	2,063,455	2,072,671	2,093,296	1,961,029	1,945,868	2,165,362

See footnotes on p. 22.

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[1] National Military Establishment, created by act approved July 26, 1947. Established as an executive department of the Government and designated Department of Defense by [illegible]

[2] Established by Atomic Energy Act, approved Aug. 1, 1946. Organized January 1, 1947. Formerly Manhattan Engineer District, War Department. Transferred under Executive Order No. 9816.

[3] Established by Public Law 162, 80th Cong., approved July 7, 1947. Ceased to exist on June 12, 1949, pursuant to act.

[4] Established by Public Law 40, 81st Cong., approved Apr. 14, 1949.

[5] Established by Executive Order No. 10161, Sept. 9, 1950.

[6] Established by Displaced Persons Act, Public Law 774, 80th Cong., approved June 25, 1948.

[7] Established by Economic Cooperation Act, approved Apr. 3, 1948.

[8] Does not include aliens employed under Foreign Service regulations.

[9] Included in Department of Labor. Established as an independent agency under Labor-Management Relations Act, approved June 23, 1947.

[10] Established by Executive Order 10186, Dec. 1, 1950. Personnel included in Executive Office of the President. Became independent agency under Public Law 920, 81st Cong., effective Jan. 12, 1951.

[11] Transferred to General Services Administration, July 1, 1949.

[12] Established by Federal Property and Administrative Services Act, Public Law 152, 81st Cong., July 1, 1949.

[13] Established by Reorganization Plan No. 3 of 1947, July 27, 1947.

[14] Created by act of Aug. 13, 1946

[15] Included under Department of Defense.

[16] Transferred to Department of Commerce, Reorganization Plan No. 21, effective May 24, 1950.

[17] Established July 2, 1948, Public Law 880, 80th Cong.

[18] Agency dissolved upon creation of HHFA by Reorganization Plan No. 3 of 1947, effective July 27, 1947.

[19] Established under Public Law 203, 80th Cong., approved July 18, 1947.

[20] Established under Public Law 507, May 10, 1950. 21 commissioners appointed, and confirmed by the Senate on Dec. 14, 1950. No personnel assignments as of Jan. 1, 1951.

[21] Terminated by Executive Order No. 10065, effective July 1, 1949.

[22] By Executive Order 9820, effective Jan. 11, 1947, established as independent agency from National Housing Agency.

[23] Terminated by Executive Order 9913, Dec. 26, 1947.

[24] Terminated by Executive Order 9841, effective June 1, 1947.

[25] Established Sept. 22, 1950, Public Law 831, 81st Cong.

[26] Established July 13, 1950, Public Law 610, 81st Cong.

[27] Established by Public Law 896, approved July 3, 1948.

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81ST CONGRESS, 2d Session } SENATE { REPORT No. 2680

REORGANIZATIONS IN THE EXECUTIVE BRANCH OF THE GOVERNMENT

REPORT

OF THE

COMMITTEE ON EXPENDITURES IN THE EXECUTIVE DEPARTMENTS

DECEMBER 19 (legislative day, NOVEMBER 27), 1950.—Ordered to be printed

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81ST CONGRESS } SENATE { REPORT
2d Session } { No. 2680

REORGANIZATIONS IN THE EXECUTIVE BRANCH OF THE GOVERNMENT

DECEMBER 19 (legislative day, NOVEMBER 27), 1950.—Ordered to be printed

Mr. MCCLELLAN, from the Committee on Expenditures in the Executive Departments, submitted the following

REPORT

In accordance with the provisions of the Legislative Reorganization Act of 1946 (Public Law 601, 79th Cong.), the Committee on Expenditures in the Executive Departments is vested with authority over legislation relating to "reorganizations in the executive branch," and the duty of "evaluating the effects of laws enacted to reorganize the legislative and executive branches of the Government." This report is submitted to the Senate pursuant to the latter provision of the act.

The President transmitted 35 reorganization plans to the Eighty-first Congress, all of which were referred to this committee. The plans were carefully considered and analyzed by the committee and reported to the Senate, with or without recommendations, whether or not resolutions of disapproval were filed. Twenty-six of these plans became effective. The committee also reported general reorganization measures dealing with Federal procurement, property and records management, and budgeting and accounting, which resulted in the approval by the Congress of the Federal Property and Administrative Services Act of 1949 (Public Law 152), amendments thereto (Public Law 754), and the Budget and Accounting Procedures Act of 1950 (Public Law 784), designed to promote economy and efficiency in the executive branch as recommended by the Hoover Commission.

In order to determine the success of these legislative efforts and in conformance with duties vested in it, the committee initiated measures to ascertain the administrative actions thus far taken by the affected agencies in implementation of reorganization and related legislation emanating from this and other committees during the Eighty-first Congress. Through this action the committee has obtained an accounting from the executive branch of the Government and hereby

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discloses to the Senate the improvements which have been forthcoming in terms of better management and more efficiency in operation, as reported by the agencies.

Explicitly, the committee requested complete information from all of the Federal departments and agencies directly affected by any of the approved 26 reorganization plans, by specific reorganization legislation, and by general reorganization acts that became effective during the Eighty-first Congress. Each agency was asked to advise the committee regarding (*a*) steps taken to carry out each of the reorganization plans affecting designated agencies and in conformance, also, with other basic legislation approved by Congress relating to their operations; (*b*) administrative deficiencies eliminated or improvements effected in organization and management; and (*c*) estimates of savings that may have been realized, or that may be expected, as a result of the implementation of programs authorized thereunder.

There follows a listing of the departments and agencies included in this survey:

Department of Agriculture
Bureau of the Budget
Central Intelligence Agency
Civil Aeronautics Board
Civil Service Commission
Department of Commerce
Department of Defense
Federal Power Commission
Federal Security Agency
Federal Trade Commission
General Accounting Office
General Services Administration
Housing and Home Finance Agency
Department of the Interior
Department of Justice
Department of Labor
National Advisory Committee for Aeronautics
National Security Resources Board
Panama Canal
Post Office Department
Reconstruction Finance Corporation
Securities and Exchange Commission
Selective Service Commission
Department of State
Department of the Treasury

With a single exception, as shown hereinafter, the agencies have responded with reports setting forth in detail reorganizational changes brought about by specific actions taken by the Congress, and including other improvements impending or proposed under authority granted by the various reorganization plans or acts. The great preponderance of departments and agencies reporting have indicated that many improvements and economies have been, or will be, realized through better coordination and improvement in general management, in procurement, warehousing, records, and buildings management, and in the modernization of budgeting and accounting systems.

While a number of the departments and agencies were unable to report direct savings effected pursuant to reorganization legislation

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approved during the Eighty-first Congress, all of them predicted more efficiency in operation and improvements in administration and services to the public and stated that these factors, when fully implemented, would necessarily bring about substantial savings.

There were a number of instances, however, where actual savings can be identified as having already resulted. These were reported by the General Accounting Office, the General Services Administration, the Housing and Home Finance Agency, the Civil Service Commission, and the Departments of Commerce, State, and the Treasury, as follows:

The General Accounting Office listed two particular areas where savings have been or will be made: (1) Abolition of the Accounting and Bookkeeping Division, through authority of the Budget and Accounting Procedures Act of 1950, has resulted in a net reduction of 264 employees, with an annual salary savings of approximately $925,000 per year; and (2) through simplification and improvement of the method of settling and adjusting accounts of deceased civilian employees of the Government, authorized by Public Law 636, approved August 3, 1950, savings are estimated to aggregate $100,000 annually for all agencies of the Government, of which $42,000 will accrue in the GAO.

The General Services Administration disclosed many instances where savings have been realized as a result of operations carried on under authority of Public Laws 152 and 754 and Reorganization Plan No. 20 of 1950. Segregated into three general categories, they are: (1) Those that have been made internally by GSA, (2) those which GSA directly has brought about on behalf of other Government agencies, and (3) those which have developed in other agencies' property and records management affairs indirectly as a result of GSA activities. Identified savings under designated programs were reported as follows: Personal-property management, $509,000, not including savings which are accruing to the Government as a result of efforts to standardize commodities and specifications; freight-rate negotiations, $1,711,709; utility management, $46,500 annually, with direct savings on individual projects over which GSA assumed authority reflecting additional net savings of $240,800; real-property management, due to reductions in maintenance costs, $110,200; improvement of telephone and teletypewriter systems, $1,000,000 for the fiscal year 1951; leased space, $372,000 in the first year and $582,000 annually thereafter; records management, $300,000, with pilot records centers now under operation in the New York area expected to bring about further large savings when put into effect and applied to the various agencies; printing, $82,250 annually; and general savings in the form or reduction in personnel and rental equipment, $101,500. All these itemized savings, aggregating approximately $5,000,000, are only in the nature of preliminary estimates, GSA indicating that when these programs are fully activated large additional savings will accrue on a recurring annual basis.

The Housing and Home Finance Agency estimates that administrative expenses for the fiscal year 1951 under the Federal National Mortgage Association mortgage purchase program, transferred from RFC to HHFA under Reorganization Plan No. 22 of 1950, "can be held to approximately $1,000,000 less than at the time of transfer" and

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that "administrative expenses for fiscal year 1952 will be reduced substantially below the 1951 amount" through the consolidation or abolition of field offices and reduction in personnel. The HHFA also estimates savings in the amount of $60,000 annually through the integration of common administrative services for the headquarters of the Community Facilities Service transferred from GSA to HHFA under Reorganization Plan No. 17 of 1950.

The Civil Service Commission reported savings of approximately $30,000 in personal services and $149,000 through consolidation of regional loyalty board staffs under its management-improvement plan authorized under title X of the Classification Act of 1949. The Department of State also reported estimated savings of approximately $40,000 under this title, resulting directly from the efficiency awards program.

The Department of Commerce stated that, while it is difficult to estimate monetary savings that resulted from improved management and organizational practices within a large organization, it "is interested both in effecting savings and in obtaining full value for every dollar expended." The Department disclosed as actual savings already accomplished (1), through the abolition of the Distribution Section, Office of Technical Services, and transfer of its functions to the central Mail Room and Distribution Section, $32,500 annually; (2), by transfer of printing and duplicating functions from Maritime, Patent Office, National Bureau of Standards, and the Bureau of the Census to the central plant, $82,140; and (3), through a pending recommendation on changes in style, format, and reproduction processes for printing and duplication in the Patent Office, approximately $200,000 annually.

The Treasury Department disclosed several areas where savings have already been realized, estimating that (1), based on the Hoover Commission formula for the average cost of space and equipment, actions taken under the Federal Property and Administrative Services Act to coordinate the records program of the Treasury Department will have caused savings in space, equipment, and the sale of waste paper aggregating approximately 1½ million dollars and (2), under Reorganization Plan No. 26 of 1950 estimated savings of $68,000 annually have accrued through the simplification of procurement, warehousing, and distribution of distinctive paper of United States currency and securities.

The reports describe especially compliance by the agencies with reorganization legislation, to the extent thus far effectuated, but omit any inaction or deviation therefrom, although some are in early process of implementation, and others have not yet become effective. The committee has, however, otherwise procured information indicating that there are certain agencies, including some not reporting herein, which are evading the requirements of general reorganization legislation, particularly in the procurement, warehousing, and records management areas. This situation will be given careful attention by the committee in the Eighty-second Congress.

The single exception to the otherwise uniform cooperation displayed by the various departments and agencies is the Department of Defense. The Assistant Secretary of Defense merely acknowledged the request from the committee, and submitted a copy of the semiannual report

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of the Secretary of Defense, consisting of 222 printed pages, along with two unofficial bulletins published by the Citizens Committee for the Hoover Report with reference to that committee's interpretation of the accomplishments under the amended National Security Act of 1947. The inadequacy of this response has necessitated the omission herein of any report from that Department, notwithstanding the fact that considerable legislation was enacted affecting it; for example, Public Law 216, to amend the National Security Act amendments of 1949, Public Law 581, to provide for the organization of the Department of the Army, and Reorganization Plans No. 4 of 1949 and No. 25 of 1950, relating to operations of the National Security Resources Board.

In order that it may carry out its plain responsibility, the committee proposes to make further detailed inquiries into the operations of the Department of Defense, particularly as related to reports received by the committee that there continue to be duplicating and overlapping services maintained in procurement, cataloging, and warehousing activities, despite the fact that the Secretary is authorized and directed by the National Security Act and House Concurrent Resolution 97 (to provide for a single catalog system) to eliminate such flagrant examples of mismanagement. These reports indicate, also, that there is considerable inefficiency in the administration of these services as now constituted, particularly in regard to duplicating medical warehousing facilities operated by the Departments of the Army and of the Navy in the same immediate vicinity. The committee has therefore again requested specific information from the Department and, if the reported duplications are verified, hearings will be held early in the Eighty-second Congress in an effort to bring about conformance with existing legislation and eliminate waste and extravagance in the defense procurement program.

The following reports were submitted by the indicated departments and agencies in conformity with the committee's request:

DEPARTMENT OF AGRICULTURE

DECEMBER 1, 1950.

Hon. JOHN L. MCCLELLAN,
Chairman, Committee on Expenditures in the Executive Departments, United States Senate.

DEAR SENATOR MCCLELLAN: The following information is presented in response to your request of October 26, 1950, concerning the effect of certain recent legislative actions on this Department.

I. BUDGET AND ACCOUNTING PROCEDURES ACT OF 1950

A. *Budget.*—Part I of title I of the Budget and Accounting Procedures Act of 1950 contained several amendments to the Budget and Accounting Act of 1921. These amendments generally serve to bring up to date and clarify various budget statutes and provide much needed flexibility for the President in setting the date for submission of departmental appropriation requests to the Bureau of the Budget. The amendments also encourage improvements in the budget format and content, and clarify and strengthen the general approach of requiring the submission to Congress of a comprehensive financial plan, with full disclosure of the relationship between expenditures and proposed appropriations. The most significant change from the standpoint of budgetary presentation, however, was contained in the revision to section 201 of the 1921 act, which required the presentation of the budget on the basis of functions and activities or other desirable classifications. The Department has for many years used a functional or project breakdown in its budget schedules and believes that Government-wide adoption of such a practice as is now required by law will result in a

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nore meaningful budget document. No material change in our budgetary administration was therefore required as a result of this legislation although it has been of definite value in confirming the validity of the direction of our efforts to improve budgetary presentation in the Department.

B. *Accounting.*—The Budget and Accounting Procedures Act of 1950 (Public Law 784, 81st Cong.) has provided long-needed statutory authority for modernizing and simplifying accounting procedures in the Government. For many years this Department, in cooperation with the General Accounting Office, the Treasury Department, and the Bureau of the Budget, has considered various means for improving such procedures. While some progress was made in this direction prior to the enactment of this statute, there is no question but that the enactment of Public Law 784 has given added impetus to our efforts. A number of new procedures consistent with the provisions and objectives of Public Law 784 have already been placed into effect. The administrative examination and approval of fiscal officer's accounts have been decentralized to the agency level. Certain accounting and fiscal functions formerly performed at the departmental level have been either discontinued or decentralized. The work related to the accounting processes connected with depositing appropriation repayments has been reduced. Work has been undertaken toward the development of modern accounting systems for the agencies of the Department based on the principles enumerated in the Accounting and Auditing Act of 1950 to the extent permitted by available personnel. In connection with the development of a modern accounting system for one of these agencies, an internal audit program was recently adopted to improve the internal control over its resources. Steps have also been taken to strengthen the technical accounting staff at the departmental level, to develop accounting systems based on management needs in accordance with the provisions of Public Law 784. It must be recognized that, while certain improvements have already been made, the cumulative effects cannot be fully appraised at this time.

In the audit field, three agencies are now covered by the comprehensive audit program of the General Accounting Office and retain on the site the original documents supporting their fiscal transactions. This procedure has made possible the elimination of the preparation and handling of extra copies of many documents, not only in the agencies involved but also in the Treasury Department and the General Accounting Office. Plans are now being developed to extend this audit program to a fourth agency on January 1, 1951.

C. *Repeals.*—As a result of the repeal of many obsolete laws and other laws which have outlived their original objectives, the agencies of the Department have been able to eliminate the work involved in preparing, maintaining, and submitting considerable detailed records and reports.

II. THE FEDERAL PROPERTY AND ADMINISTRATIVE SERVICES ACT OF 1949

A. *Procurement and supply management.*—While the Federal Property and Administrative Services Act of 1949 (Public Law 152, 81st Cong.) has undoubtedly affected almost every phase of procurement and supply management within the Department, insofar as past practices, procedures, policies, and methods are concerned, and while the act has been in effect almost 1½ years, it still appears to be too early to fully evaluate at this time what is, or forecast what may be, its impact on specific programs of this Department.

Implementing provisions of the act relative to the exchange or sale of property in the purchase of similar items, the General Services Administrator has recently issued regulations which, we believe, will prove of considerable advantage to program operations. Comprehensive regulations covering the utilization of excess personal property and the disposal of surplus personal property have also been issued by the Administrator. Title III of the act, which provides that the Administrator may delegate authority to executive agencies to purchase and contract for supplies and services under procedures particularly advocated by the Commission on Organization of the Executive Branch of the Government as being a much-needed forward step in governmental purchasing has not been extended to this Department, and we are consequently not in a position to report on the benefits which might accrue from the provisions of that title.

We should like to emphasize, however, our complete accord with the objectives of the act as outlined by the Congress. For many years this Department has directed concentrated effort in the field of procurement and supply management toward the development of improvements in policies, practices, and methods related, whether directly or indirectly, to purchase and supply activities. The enactment of legislation which provides over-all direction for and gives impetus

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to such a program would seem to offer inestimable possibilities in providing, Government-wide, for an economical and efficient system for the procurement and supply of personal property and nonpersonal services. It is believed that much can be accomplished as a result of the enactment of Public Law 152.

B. *Real property management.*—To accelerate effective real-property management operations under Public Law 152 and Public Law 754, a series of meetings in both Washington and the field have been held between officials of the General Services Administration and this Department. Also, the administrative regulations of the Department have been modified and given wide dissemination to conform with new General Services Administration regulations.

Insofar as records management aspects of these laws are concerned, the Department has for years maintained an effective records-management program, and, therefore, has not been required to take any unusual action in organizing to implement the program required specifically by Public Law 754, except that, at the request of the Administrator of General Services Administration, the Secretary of Agriculture designated an official of the Department for membership on the Federal Records Council, which establishment is required in section 504, Public Law 754. However, we are in the process of transferring closed personnel records to a General Services Administration depository.

In connection with Reorganization Plan No. 18, the Department has by agreement with General Services Administration transferred on July 1, 1950, responsibility for operation and maintenance of three buildings in accordance with section 2 of that plan. Appropriate transfers of funds have been arranged by the Budget Bureau. The Department will continue the operation and maintenance of all of its other buildings.

With respect to section 1 of plan No. 18 and by agreement with the General Services Administration, the Department has made all arrangements for the transfer of certain leasing functions to the General Services Administration in 128 cities on January 1, 1950. This transfer involves 270 leases, or about 5 percent of the approximately 6,000 non-Federal space and land occupancy of the Department. Fifteen agencies of the Department are involved. Although no transfer of funds will be made to the General Services Administration this fiscal year, the Budget Bureau will make appropriate adjustments in the respective budget estimates for the fiscal year 1952, except in the case of corporate, trust, and section 392 funds (Agricultural Adjustment Act of 1938) which will continue to be reimbursed.

It is believed that not enough time has elapsed to make an evaluation of the effects of these acts on the Department in the area of real property management. Our experience in this field should really begin on January 1, 1951. Prior to that, there has been a period of unusual transition. In the field of records management, our experience has also been too short as Public Law 754 was approved by the President less than 3 months ago.

III. OTHER BASIC ACTS

Other basic acts approved by the Eighty-first Congress, such as the General Appropriation Act of 1951, the amendment to the Administrative Expenses Act of 1946, the Classification Revision Act of 1949, the expanded coverage of the Social Security Act, and so forth all will have a definite effect on administrative policies and procedures within the Department. While no material effect on the organization of the Department has resulted from these laws to date, it is anticipated that such organization changes as may be accomplished in the future will be minor in character.

If other or more detailed information is needed, please let us know and we will attempt to supply it.

Sincerely yours,

K. T. HUTCHINSON,
Assistant Secretary.

BUREAU OF THE BUDGET

DECEMBER 15, 1950.

Hon. JOHN L. MCCLELLAN,
Chairman, Committee on Expenditures in the Executive Departments,
United States Senate, Washington 25, D. C.

MY DEAR SENATOR MCCLELLAN: In response to your letter of October 25, 1950, I am transmitting our comments on the progress to date on the following pieces of reorganization legislation mentioned in your letter.

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Public Law No. 2—Increase in salary of the President, Vice President, Speaker of the House, and agency heads

Appropriations have been made under authorization of this law, thereby putting it into effect.

Public Law No. 359—Increase in executive salaries

The purpose of this law is to provide more adequate financial recognition to top officials of the Federal service. The critical international situation has underlined the importance of holding and attracting outstanding executives.

Public Law No. 507—National Science Foundation Act of 1950

The 1951 Supplemental Appropriations Act, signed on September 27, 1950, contained an item of $225,000 for the Foundation for the remainder of fiscal year 1951.

After extensive consideration and careful selection, in compliance with the act, the President announced the appointment of the 24-man National Science Board on November 2, 1950. The first meeting of the Board is scheduled for early December 1950. Following the selection of a Director, the Foundation will be able to carry out its responsibility for the promotion of basic research and education in the sciences.

Public Law No. 636—Settlement of accounts of deceased Federal employees

This law dealing with the settlement of accounts of deceased Federal employees, was approved on August 3, 1950. On October 23, 1950, the General Accounting Office issued Supplement No. 1 to General Regulation No. 104 which sets forth the methods to be followed and the forms to be used in settling amounts due deceased civilian employees. Since the act became effective on December 1, 1950, there has been no experience to date. However, this act will speed up the payment of claims to the beneficiary and will eliminate unnecessary steps and paper work.

Public Law No. 675—Authorizes President to delegate functions

Tentative drafts of Executive orders have been prepared which will delegate approximately 75 functions to the departments as authorized by the act. These delegations will relieve the President of numerous administrative details which could be delegated to other officials of the executive branch.

Public Law No. 784—The Budget and Accounting Procedures Act of 1950

This act was approved on September 12, 1950. Part I of title I of the act provides a basis for presenting budget estimates on a performance basis by functions and activities. Initial steps were taken last year towards the adoption of the performance-type budget. Refinements in the budget presentations are being made this year. Part II of title I of the act lays the foundation for major improvements and simplifications in fiscal operations.

Since the enactment of this legislation, several significant improvements have been made. On September 22, 1950, the Comptroller General and the Secretary of the Treasury issued Joint Regulation No. 1 which simplifies the handling of collections representing repayments to appropriations. Internally the General Accounting Office has made significant changes. It has abolished the Accounting and Bookkeeping Division. The accounting and bookkeeping work of this Division was eliminated and other functions transferred elsewhere. Other internal changes will be dealt with in the Comptroller General's reply to your request. The Treasury Department is actively reviewing its internal operations to determine the changes which need to be made in order best to fulfill the objectives of the new act. Agencies have been authorized to retain accounting documents and supporting papers in those cases where the General Accounting Office conducts its audit at the site of accounting operations. This eliminates the need for shipping documents to the General Accounting Office. Work is also going forward on a broad scale in other areas under the joint accounting program to bring about accounting improvements.

Section 103 of the Budget and Accounting Procedures Act of 1950 supplements and strengthens the authority previously lodged in the Bureau of the Budget, under the Federal Reports Act of 1942, to coordinate and improve the Government's statistical services. The Bureau recommended enactment of this legislation and is now formulating proposals for implementation of the authority granted under it.

Section 104 emphasizes the responsibility of the Bureau of the Budget for improving the organization and management of the executive branch in accordance with the recommendations of the Commission on Organization of the

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Executive Branch. Under this section and under previously existing authority, the Bureau of the Budget will continue its efforts directed toward improving the organization and management of the executive branch.

The legal requirements controlling the number of employees through personnel ceilings were repealed by Public Law 784. On September 12, 1950, the Bureau of the Budget rescinded its circular pertaining to the establishment of personnel ceilings. This control will be accomplished by the Bureau of the Budget through regular methods of budget control.

Public Law No. 830—Amends Administrative Expenses Act of 1946

This law, approved September 23, 1950, repealed provisions of law requiring specific mention in each appropriation act of the authority to make expenditures for printing and binding, personal services in the District of Columbia, health service programs, and payment of tort claims. Such expenditures will now be covered by the general terms of the appropriation language making funds available for necessary expenses, thus permitting elimination from appropriation acts of a large portion of the "jungle of detailed provisions" which the Hoover Commission criticized.

Public Law No. 152—Federal Property and Administrative Services Act of 1949

Improvements in General Services.—The General Services Administration was created by Public Law 152, Eighty-first Congress (the Federal Property and Administrative Services Act of 1949), to provide central leadership and management control over all executive agencies in the fields of real estate and personal property management, procurement, warehousing and supply operations, and records management. This new agency now has the opportunity to provide leadership for executive agencies in the field of property management, supply, and other common services to complement the leadership provided in personnel management by the Civil Service Commission and in budgetary management by the Bureau of the Budget.

Progress has also been made in the corollary action to decentralize the common services so that agency heads may be equipped with authority under central standards and controls to carry on the services needed in their operations. Completing the process of decentralization and developing means for exercising effective central controls is, however, a difficult and long-range undertaking which will require several years of earnest, cooperative effort on the part both of the central management agencies (Budget Bureau, General Services Administration, and Civil Service Commission) and of the operating agencies.

One of the major steps taken by the General Services Administration to insure continued cooperative effort with the operating agencies is the establishment (with Presidential approval) of a General Services Advisory Council. This Council comprises the Assistant Secretaries for Administration of the executive departments and comparable executive officers of the major independent agencies.

Much of the time and energy of General Services Administration staff for the past year has been devoted to perfecting internal organization structure and developing plans, policies, and procedures to carry out General Services Administration functions under Public Law 152 as amended.

Public Law 754, Eighty-first Congress, approved September 5, 1950, provides for records management programs in each executive agency under central standards and controls to be developed by the National Archives and Records Service in the General Services Administration.

The task of building an integrated General Services Administration organization plan was substantially completed when General Services Administration regional directors were appointed, effective October 1, 1950.

During the fiscal year beginning July 1, 1951, there should begin to be realized some of the major benefits in improved and more economical general service operations in the respective operating agencies for which General Services Administration is now organized and staffed to provide central leadership and control.

Coordination of civilian and military procurement.—When the President signed Public Law 152, he directed that areas of understanding be developed between the General Services Administration and the Department of Defense with respect to the application of the Federal Property and Administrative Services Act of 1949. Following through on the President's memorandum, a group representing the Secretary of Defense, the Administrator of General Services, and the Director of the Bureau of the Budget, has been developing such areas of

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understanding. On January 17, 1950, the three agency heads signed a joint policy statement which said in part: "All agency requirements in peace and war should be coordinated so as to constitute a minimum impact upon the Nation's economy. The military and nonmilitary supply systems must be coordinated at both the policy and operation levels so that the constituent agencies will not compete against each other for their requirements thus creating artificial scarcities and inflationary prices * * *. Every effort will be made by the undersigned to expedite the development of areas of understanding within the framework of the above policies."

Areas of understanding between the General Services Administration and the Defense Department have been, or are being, developed covering various aspects of supply management, such as: Uniform Federal commodity catalog system, material inspection and testing, traffic management, utilities and communications, specifications and standard packaging, glossary of common definitions of terms related to supply activities, what commodities should be warehoused instead of being purchased for direct delivery, standardized procurement regulations, policy for giving small business its fair share of contracts, allocation of office space in emergencies, etc.

If we can be of any further help in connection with your forthcoming report, we shall be glad to cooperate.

Sincerely yours,

F. J. LAWTON, *Director.*

CENTRAL INTELLIGENCE AGENCY

November 24, 1950.

Hon. JOHN L. MCCLELLAN,
Chairman, Committee on Expenditures in the Executive Departments,
United States Senate, Washington 25, D. C.

DEAR MR. CHAIRMAN: Your letter of October 26, 1950, requests information to be furnished you by December 1, 1950, to assist the committee in its responsibility to evaluate the effects of laws enacted to reorganize the executive branch of the Government. Particular information is requested concerning the Central Intelligence Agency Act of 1949 (Public Law 110, 81st Cong.), as well as certain general legislative enactments.

The Central Intelligence Agency Act of 1949 pertains particularly to the Agency's procurement authorities, travel, quarters allowances and related expenses, the Agency's general administrative authorities, and the expenditure of funds. The intent of the act was to improve the administration of CIA, to protect the confidential aspects of the Agency's functions (set forth in sec. 102 of the National Security Act of 1947), and to develop a career service in the field of intelligence. In your recent report No. 2581, Action on Hoover Commission Reports, it is noted that the work of the Central Intelligence Agency has been improved as a result of legislative and administrative action. The legislative action has greatly facilitated the administrative improvements, and without it the proper functioning of the Agency would have been impossible.

Because of the nature of the Agency's activities, I am sure you will understand that it is impossible to give a detailed public report of the type which you request while still maintaining essential security. There are, however, certain things which can be set forth which may be of some assistance to you.

Prior to the passage of the Central Intelligence Agency Act of 1949, CIA was administered under laws and regulations of general application and without specific authority for necessary expenditures. These authorities were inadequate to serve the special needs of an intelligence agency. Consequently, administrative officials were required continually to resolve legal and other obstacles by makeshift arrangements in order to provide the necessary services. Public Law 110 provides specific administrative authorities for our special needs, and includes basic authority for expenditure of funds, eliminating the requirement for reenactment each year of language specifying expenditure authorities. It, thus, provides the flexibility and security for operations necessary for an intelligence organization.

The direct financial savings that have been realized cannot be ascertained precisely in dollars and cents. The Central Intelligence Agency is a comparatively new agency still in the process of development. But the act has enabled simplification and increased efficiency of administration, which means that the cost of administration is far less than it would have been otherwise.

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Action has been taken to carry out all the provisions of the law and to issue appropriate regulations required by the act. Categories covered include (1) procurement; (2) education and training; (3) travel, allowances, and related expenses which, in an intelligence agency, cover many complex problems incidental to foreign and domestic travel not common to most Government agencies; (4) medical services program; (5) budgetary and accounting controls which are particularly necessary because of the Agency's comparatively broad latitude in the application of appropriated funds; (6) personnel; and (7) other general authorities usually set forth in appropriation language.

In addition, a continuing management survey and analysis is maintained in an effort further to increase efficiency and to reduce administrative personnel and costs to a minimum.

As pointed out in our letter to you of July 18, 1949, the Central Intelligence Agency was exempted from the provisions of the Federal Property and Administrative Services Act of 1949, and we have also been exempted from its subsequent amendments. This exemption was granted to meet our special problems in the field of procurement and services. Because of the nature of our work, special procurement channels and methods must be followed to maintain security. However, we utilize the services of the General Services Administration in all of its fields, and have adopted their procedures wherever feasible. In view of the very recent passage of the Budget and Accounting Procedures Act of 1950, we are unable to state finally what effect it will have on this Agency. However, CIA officials are studying the act and conferring with representatives of the General Accounting Office, the Bureau of the Budget, and the Treasury Department concerning the budgetary accounting and reporting procedures best suited for the needs of this Agency. Our budget presentation has always been made on the basis of a performance budget. While this Agency has also been exempted from the provisions of the Classification Act of 1949, we have followed standard Government classification procedures as well as grade structures throughout.

Sincerely yours,

WALTER B. SMITH, *Director.*

CIVIL AERONAUTICS BOARD

OCTOBER 30, 1950.

Hon. JOHN L. MCCLELLAN,
Chairman, Committee on Expenditures in the Executive Departments,
United States Senate, Washington, D. C.

MY DEAR SENATOR MCCLELLAN: This will refer to your letter of October 25, 1950, asking for a complete report of the steps taken by the Civil Aeronautics Board to carry out Reorganization Plan 13, which became effective on May 24, 1950.

Mr. Joseph J. O'Connell resigned as Chairman and member of the Civil Aeronautics Board on July 8, 1950, and the Board functioned under its Vice Chairman, Oswald Ryan, from that time to October 4, 1950, when I became Chairman of the Board. On or about April 26, 1950, the Board retained the services of the management consultant firm of Booz, Allen & Hamilton for the purpose of making a comprehensive survey of the operations of the Civil Aeronautics Board in the light of the statutory mandates contained in the Civil Aeronautics Act of 1938. The report of this firm has since been received by the Board, and we are in the process of considerable reorganization designed to bring about a more effective and smooth-functioning organization. The report was prepared after full account was taken of the new responsibilities of the Chairman of the Board under Reorganization Plan 13, and it is confidently expected that when the reorganization contemplated by the Board has been completed we will have reports of substantial improvements to make to your committee. It is contemplated that a period of several months will be necessary to carry out the reorganization and produce a streamlined and more efficient organization.

It therefore does not seem possible at this time to give the detailed information sought in your letter. However, I should be very pleased to meet with you and to explain orally the various matters that are in progress here at the Board. You will readily understand that the Booz, Allen & Hamilton report has been kept confidential within the offices of the members of the Board until such time as the program can be implemented. However, at the same time, I am anxious for your committee to be fully advised as to the action being taken and contemplated by

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this agency with respect to the effect of Reorganization Plan 13, and I should be happy, at your convenience, to give you any specific information you may desire.

Sincerely yours,

D. W. RENTZEL, *Chairman.*

UNITED STATES CIVIL SERVICE COMMISSION

NOVEMBER 17, 1950.

Hon. JOHN L. MCCLELLAN,
Chairman, Committee on Expenditures in the Executive Departments, United States Senate,
Washington, D. C.

DEAR SENATOR MCCLELLAN: In your letter of October 24, you asked us to provide complete information on several of the basic reorganization measures passed by the Eighty-first Congress. It is a pleasure for me to point out the favorable effects they have had on our operations and on personnel management in the Federal service.

1. Reorganization Plan No. 5 of 1949

Plan No. 5 created the office of chairman and vested in the Chairman full authority to direct the administrative operations of the Commission. Policy determination and the adjudication of appeals remain the responsibility of the full Commission. This has combined very successfully the benefits of unified administration with mature bipartisan consideration of policy questions and individual appeals.

Immediately after my designation as chairman, I appointed Mr. Lawson A. Moyer as executive director, the top career position in the Commission which was established by Plan No. 5. I inaugurated a four-point program to speed our operations and improve our service to the public. It included shortening and simplifying our regulations, developing a Government-wide promotion policy, improving our correspondence, and strengthening our examining program. We have registered remarkable progress on each of these points. In less than a year, for example, we reduced by half the time which elapses between the closing of our examinations and the establishment of eligible lists.

Under the reorganization we have been able to speed decisions on our day-to-day activities. Quite understandably, it requires considerably less time to clear administrative matters through one office than through three. Our staff can now look to one point for its administrative direction. Under our new administrative framework, we are in a better position to make quick and flexible adjustments to changing requirements in our work. Shifts in funds or in personnel to accommodate changed workloads or sudden emergencies, like the defense expansion, can now be made directly and without delay.

Briefly, my colleagues and I believe that the reorganization has been an unqualified success.

2 Travel Expense Act of 1949

The Travel Expense Act of 1949, is concerned exclusively with regulating subsistence expenses and mileage allowances of civilian officers and employees of the Government. The Commission does not administer this legislation except as it affects its own employees.

The major provision of this legislation provides an increase in the maximum per diem allowance from $6 to $9 per day and an increase in mileage rate for the use of privately owned vehicles from 5 cents to 7 cents per mile.

It had been recognized for several years that rates in effect prior to the enactment of this act were inadequate to cover the subsistence costs of employees while on travel status. Our employees were forced to pay some of their expenses for food and lodging out of their pockets while traveling on official business. This injustice was recognized by Congress and led to passage of this legislation.

As we see it, the act was not designed as an economy measure since it does not have the effect of lessening the amount of traveling that employees must do in the discharge of their official duties. According to our fiscal records, the cost per day to keep an employee in travel status has increased from $12.92 to $16.58 as a result of this legislation and increases in transportation costs. While this is true on the expense side, there are unmeasurable benefits derived from this legislation in employee morale and a higher degree of job satisfaction on the part of those who must engage in travel in connection with their official duties.

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3. Increase in executive salaries

The Executive Pay Act was designed to increase rates of compensation of the heads and assistant heads of the executive departments and independent agencies. The Civil Service Commission has no responsibility for the administration of this act. The legislation did increase the salaries of the three Commissioners and thus bring their remuneration more nearly in line with their responsibility.

4. Classification Act of 1949

The Classification Act of 1949 comprehensively revised and superseded the Classification Act of 1923 and its amendments. The basic functions covered by the new act have been performed by the Civil Service Commission since 1932 at which time they were transferred from the Personnel Classification Board. The new act provides for the first time that in both the departmental and field services the same authorities and operating procedures will govern the placing of positions in grades and classes for pay and other purposes. Hitherto, final classifying authority of the Commission was limited to the departmental service having only 20 percent of the positions subject to the Classification Act while similar authority in the field service with 80 percent of the positions was vested in the heads of agencies.

Under the new act the Commission prepares and publishes allocation standards. Each agency allocates its positions without prior reference to the Commission in individual cases, but in so doing it must adhere to the published standards. The Commission post-audits agency allocations to determine that standards are being adhered to and requires the correction of errors. An exception to this general procedure exists in the case of positions in the three highest grades of the general schedule, i. e., GS–16, 17, and 18. Prior action of the Commission is required by law for the first two of these grades and in the highest grade recommendation by the Commission and approval by the President are required.

To carry out the provisions of the new law it has been necessary to expand our staff of classification experts, especially in our regional offices, and to train them in the new features of the Classification Act of 1949. We are gradually developing, and expect to perfect with experience, methods of auditing classification actions performed by the agencies so that Government-wide compliance with our standards will be assured with a relatively low enforcement cost. Two sections in the central office formerly dealt respectively with field and departmental classification. Since operating techniques will now be the same in Washington and the field, these sections have been consolidated in order to improve the effectiveness of operations.

It is too early to estimate savings resulting from passage of the Classification Act of 1949 which has been in effect for barely a year. Actually, savings in this work are difficult to assess since many of the collateral benefits such as the elimination of competitive bidding for personnel by the agencies, improved employee morale, and the more logical and efficient distribution of functions sometimes flowing from classification audits are not susceptible to monetary measurement. Even when a position is reallocated downward the saving usually does not fully develop until the incumbent vacates the job and it is filled by an appointee at the pay scale of the lower grade. Position classification, however, does avoid waste of Government funds by preventing the payment of excessive salaries for simple work or too low a salary for more difficult and responsible work which inevitably leads to the employment of the less competent personnel.

The bulk of the Classification Act of 1949 is enforced, Government-wide, by the Civil Service Commission. Title X, Management improvement plan and awards, is enforced by the Bureau of the Budget. We have brought our own management-control system into line with the regulations issued by the Bureau of the Budget, pursuant to the provisions of this title, and have issued instructions to our division chiefs and regional directors on the installation and maintenance of the Civil Service Commission management-improvement plans.

Our management-improvement plan has been very effective. During fiscal year 1950 several improvements in procedures, organization, and management have been accomplished. Two examples of the several improvements made are as follows: (1) The continuing expansion of the number of annuitants on the monthly roll of the civil service retirement system raised serious question whether the methods employed could continue to meet the monthly peak loads in certifying the names of annuitants to the Treasury for payment. After a thorough study of the problem the operation was greatly simplified, resulting

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in estimated annual savings in personnel services alone of $60,000. (2) The 4 regional loyalty board staffs were consolidated into 4 area staffs thereby reducing the clerical and technical personnel assigned to regional loyalty adjudications and releasing $149,000 for other work. No loyalty boards were abolished. In addition to the savings in money realized, the consolidation of the staff services into four area offices considerably increased the efficiency of these services.

All of the improvements resulted in either money savings, freeing manpower for other essential work, reducing the time required to perform certain functions or reducing the amount of space or equipment required.

The new efficiency awards authorized by title X were added to the Commission's existing internal program of cash awards for meritorious suggestions, within-grade step increases for superior accomplishment and honor awards. An efficiency awards committee and 21 subordinate committees were established. During fiscal year 1950 there were 240 suggestions submitted, of which 65, or 27 percent, were adopted. The estimated first-year savings resulting from the adopted suggestions is approximately $14,000.

The results indicate that the awards program is stimulating the thinking of employees and bringing about improvements in operations.

4. Performance Rating Act of 1950

This act was signed quite recently on September 30 and does not go into effect until December 29. The Commission has already issued instructions to the departments and agencies on the administration of this act. Without experience in operating under the new act, we cannot yet discuss results. We agree, however, with the report of the House Committee on Post Office and Civil Service which predicted that the new act would result not only in better performance appraisal but also in savings through simplified administration.

5. Federal Property and Administrative Services Act of 1949 and amendments

We are working closely with the General Services Administration in all phases of property management, procurement procedures, and records management. Improvements made or under way include: Revision of our property control and accountability system, establishment of inventory levels, development of replacement standards for several types of equipment, and surveys of records. The Administrator of General Services provides opportunities for us to review proposed regulations and invites our suggestions and comments for improvements as they affect our functions before the regulations are published. We have been requested to designate officials of the Commission to serve as members of various interdepartmental advisory committees engaged in activities such as Federal specifications writing, procurement procedures and policies, and space control and utilization. We have found this legislation to be beneficial.

6. Budget and Accounting Procedures Act of 1950

The Commission is of the opinion that the objectives of the Budget and Accounting Procedures Act of 1950 are highly desirable and that the act will result in many improvements in budgetary and accounting work throughout the Government service. As you know, our organization is not a large one in comparison to many of the other agencies and our accounting and budgetary systems therefore are not as complex and extensive as may be found elsewhere. Moreover, we have been operating a performance type of budget for nearly a decade. Accordingly, we do not anticipate any appreciable savings from a dollar standpoint as a result of this new act although we do expect some improvement and simplification in our internal budget and fiscal procedures and reports.

CONCLUSION

Our Commission's activities are vitally important to good management because they closely affect every department and agency in the Government. We are concerned at all times with improving our services and giving the American citizen the maximum return for his tax dollar. We welcome legislation which helps us to streamline our operations, to do our work more efficiently, to attract and hold in our great Federal agencies staffs of loyal, competent, efficient, and devoted public servants.

Sincerely yours,

HARRY B. MITCHELL, *Chairman.*

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DEPARTMENT OF COMMERCE

DECEMBER 7, 1950.

Hon. JOHN L. MCCLELLAN,
United States Senate, Washington, D. C.

DEAR SENATOR MCCLELLAN: I am pleased to have this opportunity, provided by your letter of October 24, 1950, to outline some of the accomplishments and plans of the Department of Commerce under the recently enacted reorganization plans and other pertinent legislation.

The reorganization plans which directly affect the Department of Commerce are—

Plan No. 6 of 1949, strengthening the administration of the United States Maritime Commission.

Plan No. 7 of 1949, transferring the Public Roads Administration from the General Services Administration to Commerce.

Plan No. 5 of 1950, reorganizing the Department of Commerce.

Plan No. 21 of 1950, creating a Federal Maritime Board and establishing a Maritime Administration in the Department of Commerce.

I have given careful consideration to many organizational changes in the Department of Commerce leading to the economical and efficient administration of the Department's programs. We are continuing to study general organization and management-improvement possibilities, and feel that additional benefits can be realized under the several recent reorganization plans.

The unsettled international situation and outbreak of the Korean War brought about many changes to the Department. Prominent among these changes has been the delegation to the Department of a major responsibility for placing into effect the Defense Production Act of 1950. Temporarily, therefore, certain long-range objectives within the scope of the reorganization plans can be given only limited attention while the Department strives to organize and staff itself to fulfill its role in the defense effort.

Notwithstanding the preoccupation of key officials with primarily defense problems, however, substantial progress has been made, and more is contemplated toward the goal of improving organization and management.

Enclosed is a statement setting forth the more significant actions taken to effectuate the reorganization plans which bear on Department of Commerce activities. We have also attempted to show the benefits resulting from the general legislative actions of the Eighty-first Congress designed to promote economy and efficiency in the executive branch.

If this Department can furnish any additional information or help, please do not hesitate to call on me.

Sincerely yours,

CHARLES SAWYER,
Secretary of Commerce.

SUMMARY REPORT ON RECENT REORGANIZATION PLANS AND OTHER GENERAL LEGISLATION AFFECTING THE INTERNAL MANAGEMENT OF THE DEPARTMENT OF COMMERCE

I. REORGANIZATION PLAN NO. 5 OF 1950

A. General

Reorganization Plan No. 5 of 1950 placed in the Secretary, with a few minor exceptions, all of the functions of the Department of Commerce previously vested by law in other officers or agencies of the Department. It empowered the Secretary to make such provisions as he deemed appropriate for the performance of such functions. It authorized an Administrative Assistant Secretary of Commerce under the classified civil service to aid the Secretary. It also provided for the transfer of records, property, personnel, and funds within the Department as deemed necessary by the Secretary to carry out the plan.

B. Steps taken to carry out the plan

Among the important measures taken to implement Reorganization Plan No. 5 of 1950 were:

1. The issuance of temporary delegations of authority, effective as of the effective date of the plan, to the primary organization units of the Department of Commerce "to prevent disruption of the essential operations of the bureaus and offices of the Department of Commerce and to permit the full consideration of all factors involved in making permanent delegations of authority";

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2. The initiation of a study, at the direction of the Secretary, to encompass the new functions and activities brought under direct secretarial control to the end that this increased authority might be utilized to the fullest extent possible in improving the organization and management of the Department. This study has not yet been completed; however, a number of actions have already been taken as a result of this study as subsequently indicated in this report; and

3. Effective November 20, 1950, Clarence H. Osthagen was appointed to the position of Administrative Assistant Secretary created by Reorganization Plan No. 5 of 1950. Mr. Osthagen will serve as the principal deputy to the Secretary of Commerce on all administrative activities of the Department.

C. *Administrative deficiencies eliminated or improvements made in organization and management of the Department*

Included among the actions already accomplished under the authority of Reorganization Plan No. 5 of 1950 are—

1. The Bureau of Foreign and Domestic Commerce was reorganized as of June 1, 1950, after an exhaustive study of its major functions and objectives. The reorganization brought together the several offices which had been practically autonomous for several years and provided for a single individual as Director of the Bureau. It also provided for a strengthening of the commodity work of the Department, as recommended by the Hoover Commission, by consolidation of the Foreign Trade and Domestic Trade Commodity Divisions. Also, the export-control function was transferred from the Office of International Trade to the Office of Industry and Commerce in order to keep it organizationally alined with the commodity activities;

2. Before the reorganization of the Bureau of Foreign and Domestic Commerce was fully implemented, the changing defense situation made necessary the assignment of the commodity units and the field offices to the National Production Authority, created within the Department as a result of the Defense Production Act of 1950 and Executive Order 10161. At the same time the export-control function was shifted back to the Office of International Trade, where it could best be performed under emergency conditions. This is an example of the organizational flexibility made possible by Reorganization Plan No. 5;

3. The Commodity Standards Division, National Bureau of Standards, has been transferred to the Bureau of Foreign and Domestic Commerce in order to place the Division in an organizational location where it could better accomplish its assigned task;

4. Printing services for the primary units of the Department have been centralized for a more economical and efficient operation as well as better control. This action included the shifting of printing and duplicating work previously done by the Maritime Administration, Patent Office, Bureau of Census, and National Bureau of Standards to the Department's central plant;

5. The Transportation and Communications Division of the Bureau of Foreign and Domestic Commerce has been transferred to the Under Secretary's Transportation Mobilization Organization, Office of the Secretary (discussed more fully under Reorganization Plans No. 6 of 1949 and No. 21 of 1950);

6. The Secretary has delegated to the heads of primary units the authority to designate officers and employees to administer the oath of office required by section 1757, Revised Statutes, and any other oaths required by law in connection with employment in the Department; and

7. Areas of responsibility in connection with international affairs have been clarified by the establishment of the position of Assistant Secretary for International Affairs from one of the assistant secretaryships' authorized for the Department.

In addition to the actions already accomplished under Reorganization Plan No. 5, there are certain areas where action is under consideration at the present time. These areas include:

1. Coordination of aeronautical charting activities of the Civil Aeronautics Administration and the Coast and Geodetic Survey;

2. Centralization of materials and equipment testing activities of the Department;

3. Coordination of the work of the Civil Aeronautics Administration and the Bureau of Foreign and Domestic Commerce in the field of aircraft production;

4. Centralization of certain administrative activities in Washington and the field;

5. Transfer of responsibility for road air strips from the Bureau of Public Roads to the Civil Aeronautics Administration; and

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6. Transfer of foreign trade analysis functions in the Office of Government Aids, Maritime Administration, to the Office of International Trade, Bureau of Foreign and Domestic Commerce.

D. Estimated savings

It is difficult in many instances to estimate monetary savings that accrue from improved management and organizational practices within a large organization. Many of the benefits resulting from management improvements are found in improved services to the public, in having work performed at the proper organizational level, allowing for optimum coordination with the other programs of the agency, and in strengthening accountabiliy of the constituent units of the Department to the Secretary. Increased effectiveness is a joint objective with increased economy. The Department is interested both in effecting savings and in obtaining full value for every dollar expended. Some of the savings effected to date are:

1. The abolition of the Distribution Section, Office of Technical Services, and transfer of its function to the central mail room and distribution section resulting in an annual savings of $32,500;

2. Transfer of printing and duplicating functions from Maritime, Patent Office, National Bureau of Standards, and the Bureau of Census to the central plant resulted in an estimated savings of $82,140; and

3. A pending recommendation on changes in style, format, and reproduction processes for printing and duplication in the Patent Office should save approximately $200,000 annually.

II. REORGANIZATION PLAN NO. 7 OF 1949

Under Reorganization Plan No. 7 of 1949, the Bureau of Public Roads was transferred to the Department of Commerce effective August 20, 1949. This transfer pertained to all functions, including those of the Commissioner of Public Roads and those of the Federal Works Administrator in relation to the Bureau of Public Roads.

The transfer has been fully implemented with respect to records, property, personnel, and funds. In going beyond these fundamentals, the Bureau of Public Roads was provided with sets of the administrative regulations of the Department, and modifications have been made in terms of bureau needs as they became apparent. To facilitate and further bureau-departmental integration, a complete personnel management survey was made, printing and other necessary administrative services were arranged, and the relationship between the Bureau and the Department was studied and established with respect to budgetary matters.

To further coordination between the Bureau of Public Roads and other comparable organizations within the Department, studies have been undertaken on specific matters of interbureau interest. One example is a study of the relationship between the Bureau of Public Roads and the National Bureau of Standards with respect to testing and physical research in the laboratory. Another example deals with the relationship between the Bureau of Public Roads and the Civil Aeronautics Administration with respect to a number of flight strips which had been constructed for defense purposes as road-connected developments.

Considerable progress has also been made regarding legislative programs of the Bureau of Public Roads and proposed legislation affecting the Bureau of Public Roads. The Department was particularly active in reviewing and making recommendations on the proposals for the Federal-Aid Highway Act of 1950.

To implement the objective of coordinated transportation policies and programs, there has been established a Transportation Council, the chairman of which is the Under Secretary of Commerce for Transportation. The Commissioner of Public Roads is a member of the Transportation Council.

III. REORGANIZATION PLANS NO. 6 OF 1949 AND NO. 21 OF 1950

A. General

Reorganization Plan No. 21 of 1950, which became effective May 24, 1950, was a second step toward accomplishment of the recommendations of the Hoover Commission that all nonregulatory transportation activities of the Federal Government be centered in the Department of Commerce. This plan abolished the United States Maritime Commission and created within the Department of Commerce the Federal Maritime Board and the Maritime Administration. To

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coordinate the transportation program within the Department, including those which are the responsibility of the Civil Aeronautics Administration, Weather Bureau, Coast and Geodetic Survey as well as the Bureau of Public Roads, the Federal Maritime Board, and the Maritime Administration, and to provide for development of over-all transportation policy within the executive branch, the plan also established the new position of Under Secretary of Commerce for Transportation.

The plan provides for joint administration of the Federal Maritime Board and the Maritime Administration by a Chairman-Administrator. As Chairman, this officer is assigned the functions of the Chairman of the former Maritime Commission with respect to the functions transferred to the Board. The functions of the Chairman were those placed in him by Reorganization Plan No. 6 of 1949, which made him the chief executive and administrative officer of the Commission.

B. Steps taken to carry out the plan

The more important steps taken by the Department to effectuate the provisions of Reorganization Plan No. 21 of 1950 include:

1. Issuance on the effective date of the plan of a temporary delegation of authority to the Maritime Administrator to perform all functions transferred to the Secretary of Commerce by the plan, with certain reservations. The purpose of this temporary delegation was "to assure continuity in the performance of the functions transferred to the Secretary of Commerce and to permit full consideration of all factors involved in making more lasting assignments";

2. Approval on June 28, 1950, a few days more than a month after the plan went into effect, of an organization for the two agencies. With minor adjustments this original organization has continued in effect;

3. The appointment of Philip B. Fleming, former Chairman of the Maritime Commission, as Under Secretary of Commerce for Transportation was effected July 27, 1950. The Under Secretary for Transportation immediately assumed responsibility in the Department for general supervision over all transportation activities in the Department; program consistency among the several transportation agencies of the Department and development of a unified over-all transportation policy for their guidance; actions before the transportation regulatory agencies when appropriate to effectuate the over-all transportation policies of the Government; and studies and plans required for mobilization of the Nation's transportation resources in behalf of the defense effort; and

4. Issuance on November 20, 1950, of an order "providing for the administration of transportation activities in the Department of Commerce," including the establishment of the Office of Transportation under the Under Secretary for Transportation. This order assigned to the Under Secretary for Transportation additional responsibilities: first, the provision of staff assistance to the transportation subcommittee of the Advisory Committee on Priorities Administration of the National Production Authority, and second, the development of traffic estimates and proposals to secure optimum use of existing transportation facilities or, if necessary, secure additional facilities. This order also established a Transportation Council composed of transportation bureau chiefs of the Department for the purpose of developing coordinated policies and programs in the interest of successful mobilization and maintenance of transportation resources adequate to meet the needs of commerce and national security.

C. Administrative deficiencies eliminated or improvements made in organization and management

Among the actions already accomplished as an outgrowth of Reorganization Plans Nos. 6 of 1949 and 21 of 1950 are those listed below. It is important to recognize that immediate and long-range constructive management measures had to compete for attention against the military priority requirements of repairing and outfitting approximately 130 ships, with practically no advance warning.

1. In addition to organizational changes, the qualifications of the top staff have been materially strengthened by new appointments to a large share of the high-level positions in the Maritime Administration.

2. Aggressive steps are being taken to meet the problems of policy which existed under the former Maritime Commission, involving the following subjects: Computation of construction-differential subsidies and national defense allowances, provisions of construction contracts, computation of operating-differential sub-

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sidies, calculation of the capital necessarily employed in subsidized steamship companies, existence of foreign competition on subsidized lines, trade-in allowances provided for in the Merchant Ship Sales Act of 1946, adjustments in vessel sales prices by reason of existence of desirable features or lack of standard features on vessels sold, computation of profits made by charterers of vessels under the Merchant Ship Sales Act of 1946, and revision of audit techniques for subsidized and charter operations. In areas where outside assistance could be utilized, such assistance has been sought—for example by appointment of a committee to study the problem of computing construction-differential subsidies.

3. Each of the backlogs of work which had hindered the operations of the former Commission has been isolated and plans laid for its most expeditious clearance. As an illustration of progress in the reduction of backlogs, the estimated 4 to 5 years backlog of claims is now reckoned as a backlog requiring only 2 years to complete, by reason of the elimination of unnecessary or duplicating work and the simplification of procedures. More specifically, during the 5 months' period ended November 30, the new Division of Claims disposed of 489 new claims and 1,227 backlog claims.

4. Concurrently with the establishment of the Office of Transportation in the Office of the Secretary, specific administrative plans are rapidly crystallizing toward the objective of providing realistically effective program coordination among the transportation bureaus of the Department, for both mobilization and peacetime activities. Prior to the formal establishment of the Transportation Council, coordinative efforts have been conducted through the Temporary Transportation Program Committee. Beyond this the new Office will assist in the determination of facts and other criteria that can serve as a basis for reviewing transportation material requirements as presented to the National Production Authority. Also, the Office will determine the facts and criteria that can serve as a basis for exercising priority and allocation authority over the use of air transportation and in coastal, coastwise, and overseas shipping facilities.

D. Estimated savings

The primary objective of Reorganization Plan No. 21 of 1950 was not to develop dollar savings as such but rather to achieve effective coordination of many of the Government's transportation activities. As this program coordination is achieved, the assurance will automatically be provided that wasteful efforts in terms of duplication and conflict will be eliminated. The raising of the quality of top-level personnel has already resulted in improved morale and efficiency. The faster reduction of backlogs clearly will result in dollar savings. For the most part the type of savings growing out of Reorganization Plan No. 21 are not the type of savings that can be stated in dollar terms for the current fiscal year, but rather in reduced future budgets for specific items and higher quality of service.

IV. OTHER PERTINENT LEGISLATION

While there are no significant accomplishments under the general legislation passed for improvement of management in the Federal Government, it is felt that much of this legislation is beneficial and will result in long-range betterment and economy in our activities.

The Department has requested funds for a small records management staff in the 1952 fiscal year budget as a result of the statutory directive set forth in Public Law 754 (81st Cong.) as an amendment to the Federal Property and Administrative Services Act. Improved records programs are only one of the benefits we hope will accrue from this act and its amendments.

Under the Budget and Accounting Procedures Act of 1950, the Department's budget and management staff has been reassigned to provide a small group to work with the General Accountiing Office, Treasury Department, and Bureau of the Budget representatives on improved budgetary and accounting policies and practices. This group has completed a study of the fiscal practices of the National Bureau of Standards and has installed a new fiscal system in that bureau which we believe materially increases the administrative effectiveness of the agency. The group is now conducting a similar study in the Civil Aeronautics Administration and will continue its work until the entire financial structure of the Department has been thoroughly reviewed and modernized.

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FEDERAL POWER COMMISSION

DECEMBER 1, 1950.

Hon. JOHN L. MCCLELLAN,
Chairman, Senate Committee on Expenditures in the Executive Departments, United States Senate, Washington, D. C.

DEAR SENATOR MCCLELLAN: In response to your letter of October 25, 1950, requesting information as to economies or increased efficiency resulting from Presidential Reorganization Plan No. 9 and other actions of the Eighty-first Congress, here is attached a copy of Administrative Order No. 27 which was adopted by the Federal Power Commission on November 2, 1950, to implement Reorganization Plan No. 9. You will note that this order transfers certain executive and administrative functions from the Commission to the Chairman and defines generally the respective functions of the Commission and the Chairman under Plan 9.

The policies and procedures prescribed by the above-mentioned Order No. 27 have not as yet been in operation a sufficient length of time to appraise their worth in terms of administrative deficiencies eliminated or improvements made in the organization and management of the Commission. Likewise, it is too early to estimate any savings which have been realized thereby. It is probable that the individual Commissioners will be relieved from some administrative routine, but, of course, added burdens will be shifted, necessarily, to the office of the Chairman.

With respect to the Federal Property and Administrative Services Act of 1949, as amended, this Commission has experienced no substantial increase in efficiency or economy. In fact, the nature of its activities precludes their realization. It is not a "procuring" agency, and stores only minimum quantities of common items of office supplies for day-to-day use, and certain technical publications for sale to the public. Its procurement and property management staff is extremely small.

It may be said that some economy has resulted, and some increase in efficiency has been noted, due to one provision of the act, namely, that which increased the limitation on unadvertised purchases from $100 to $500.

The Budget and Accounting Procedures Act of 1950, while in large measure confirming certain methods and procedures theretofore in effect, and facilitating and improving Government accounting and auditing in many respects, did include certain specific provisions which have resulted and will result in economies and increased efficiency. Among these are the elimination of personnel ceilings establishment and observance, provision of flexibility in the time of submission of budgets by the departments rather than complying with a fixed date as before, permissive modification of the system of warrants and requisitioning of funds, extension of General Accounting Office site audits, and permissive elimination of many accounts formerly maintained by the General Accounting Office.

The precise degree of economy realized through such measures is, of course, most difficult to assess. In an agency as small as this, the result is an increase in the efficiency with which its limited accounting and auditing staff can perform the more important duties with which it is concerned.

The act of September 23, 1950 (Public Law 830), included a provision which repealed the former requirement that proprietors or publishers of newspapers provide sworn statements as to rates charged or to be charged for Government advertising. The elimination of that requirement considerably simplifies and expedites the placing and processing of advertising orders and effecting payment therefor. It also eliminates the heretofore prevalent confusion and chagrin on the part of publishers with whom orders were placed and makes them less reluctant to accept Government orders.

The Commission will be pleased to cooperate with your committee by forwarding such additional information as may be required at any time.

Respectfully yours,

MON C. WALLGREN, *Chairman.*

(Enclosure No. 146177, Administrative Order No. 27, November 2, 1950, has been incorporated in the committee's files.)

FEDERAL SECURITY AGENCY

NOVEMBER 30, 1950.

Hon. JOHN L. MCCLELLAN,
Chairman, Committee on Expenditures in the Executive Departments, United States Senate, Washington 25, D. C.

DEAR SENATOR MCCLELLAN: In your letter dated October 25, 1950, you request information regarding the steps taken by this Agency to carry out Reorganization

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Plan No. 2 of 1949, and Reorganization Plans Nos. 16 and 19 of 1950. You also request information regarding administrative deficiencies eliminated or improvements which have been made in the Agency and an estimate of savings that may have been realized as a result of actions taken relative to these plans. The following indicates what has taken place in connection with each of these plans.

Plan No. 2 of 1949.—Under this plan the Bureau of Employment Security was transferred from the Federal Security Agency to the Department of Labor. At the time of the transfer the Bureau of the Budget made a careful study of all operations of the Agency concerned with the supervision and direction of the Bureau of Employment Security. All funds used by the Agency in the administration of this Bureau were transferred to the Department of Labor. The transfers on an annual basis consisted of—

Salaries, Office of Administrator	$215,427
Salaries and expenses, Division of Service Operations	117,669
Salaries, Office of General Counsel	72,432
Salaries and expenses, Office of Commissioner, Social Security Administration	16,825
Total	422,353

As the operations of the Bureau of Employment Security had direct relationships with a number of other bureaus in the Federal Security Agency it has been necessary to develop methods for coordination. These have been worked out on a basis satisfactory to the Department of Labor and to this Agency.

Plan No. 16 of 1950.—Under this plan the functions of the General Services Administration relating to assistance to local school districts and with water pollution control projects were transferred to the Administrator.

The functions relating to assistance to local school districts were delegated to the Commissioner of Education and the funds transferred for the administration of these functions were made available to the Office of Education. The amounts transferred consisted of $25,000 for salaries and expenses and $50,000 for the payment of terminal leave to employees. The program, as you know, was to be liquidated by September 30, 1950. Of the funds transferred for salaries and expenses, it is estimated that approximately $13,998.75 will be returned to the Treasury. Of the $50,000 made available for terminal leave, $92.30 was expended, leaving a balance of $49,907.70 for return to the Treasury. This saving was made possible because of the transfer of most of the employees concerned to other agencies and to the new programs authorized by Public Law 815 relating to the construction of school facilities in areas affected by Federal activities and for other purposes; and Public Law 874 to provide financial assistance for local educational agencies in areas affected by Federal activities and for other purposes.

The functions transferred from General Services Administration that related to water-pollution control were assigned to the Surgeon General of the Public Health Service and placed in the Division of Water Pollution Control to be consolidated with functions relating to water-pollution control already being carried on by that Division. Transfers for salaries and expenses amounted to $3,629.12, practically all of which has been obligated. It is believed, however, that the consolidation of these activities will simplify operations as it will no longer be necessary to coordinate the functions relating to water-pollution control in the Federal Security Agency with those which were formerly performed in the General Services Administration.

Plan No. 19 of 1950.—Under this plan the Bureau of Employees Compensation and the Employees Compensation Appeals Board were transferred to the Department of Labor. On the basis of studies made by the Bureau of the Budget there was transferred to the Department of Labor all funds concerned with the administration of these functions. Transfers on an annual basis were as follows:

Salaries, Office of the Administrator	$18,300
Salaries and expenses, Division of Service Operations	17,400
Salaries, General Counsel	104,560
Total	140,260

Because of this Bureau's relationships with a number of other bureaus of the Agency it has been necessary to make arrangements for proper coordination.

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In the first paragraph on page 2 of your letter you refer to other legislative actions pertaining to the Commission's reports and request information as to how these and other basic reorganization acts approved by Congress have affected this Agency. The approval of these acts, particularly those relating to general management, have been of assistance in enabling the Agency to take the following actions.

The nomenclature throughout the Agency is now substantially in accord with recommendation 21 of the report on general management. The few variations are largely due to titles established by law.

With regard to field offices, the Agency has long recognized that certain advantages and economies would result in centralized regional operations. Accordingly and prior to the Commission's study, the Agency regional offices had been established. Previous to this action there were seven or more bureau regional offices located in one city. We now have one centrally housed regional office in 10 cities with a director who reports to the Administrator.

In the field of general services we are cooperating with the General Services Administration in improving our supply and records activities.

During the past year we have established a central unit for the purchase, storage, and issue of administrative supplies and equipment. Prior to this consolidation there were six supply rooms operated by central office units of the Agency in Washington and five procurement sections purchasing administrative supplies and equipment. At the present time General Services Administration is making a comprehensive survey of all records management activities of the Agency. This survey was undertaken at my request.

In cooperation with the Civil Service Commission the Agency's Director of Personnel and his staff are working vigorously to develop and carry out a number of the improved procedures recommended by the Hoover Commission.

For a number of years the Agency has been developing budgets substantially in conformance with the performance budget recommended by the Commission. The necessary refinements in this system are being worked out in cooperation with the Bureau of the Budget. The Agency is also cooperating with the General Accounting Office, Bureau of the Budget, and Treasury Department in establishing accounting systems which meet the requirements of the various programs the Agency administers.

In the fields of foreign affairs and Federal-State relations the Agency had established staff offices in the latter part of the calendar year 1946. The Commission's reports on these activities suggest the need for establishing such offices and for strengthening offices already in existence. We have gradually broadened and extended the duties and responsibilities of these offices so that they are now functioning substantially in accord with recommendations and suggestions made in the Commission's reports.

In all matters that relate to general services, budget, finance, and personnel, representatives of the Agency maintain constant contact with control agencies in order to take advantage of every opportunity to increase our effectiveness in these fields.

Sincerely yours,

JOHN L. THURSTON,
Acting Administrator.

FEDERAL TRADE COMMISSION

NOVEMBER 22, 1950.

Hon. JOHN L. MCCLELLAN,
Chairman, Committee on Expenditures in the Executive Departments,
United States Senate, Washington, D. C.

MY DEAR MR. CHAIRMAN: This letter is in reply to your communication of October 25, 1950, which I acknowledged under date of October 27, 1950.

I am glad to advise the Senate Committee on Expenditures in the Executive Departments that the Federal Trade Commission has made substantial progress in complying with applicable recommendations of the Commission on Organization of the Executive Branch of the Government and general legislative actions of the Eighty-first Congress to promote efficiency and economy in the operations of the Government.

ORGANIZATION

After intensive study of its organization problem, the Commission reached certain conclusions and on May 15, 1950, announced the reorganization of its bureaus and divisions and its appointment of supervisory officials to become effective June 1, 1950. This reorganization organized the work of the Commis-

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sion as nearly as possible by major purposes. It integrated related functions in each line of Commission activity. It provided over-all direction of programs in each line of activity and directing staff officers to whom more authority could be delegated. It was designed to accomplish the following purposes:

1. To relate the investigation of complaints with the trial work which may develop therefrom so as to eliminate waste of effort and cost in litigated matters.
2. To associate the economic investigations with the preparation and trial of cases so that these investigations will give guidance and direction to the antimonopoly program of the Commission and conditions which encourage monopolistic developments and practices will be treated in their incipiency.
3. To eliminate delay in the handling of cases.
4. To promote the development of the Commission's cooperative work with industry.

One of the principal changes effected by the reorganization was to coordinate the investigation and trial of formal cases. Formerly the Commission was organized by administrative process or procedure, and investigation of all types of cases was the function of the Bureau of Legal Investigation, and similarly the trial of all types of cases was the function of the Bureau of Litigation. Finding that investigations to develop facts upon which charges were brought have been too much separated from the trial of cases, the Commission reorganized its internal structure and its investigative and trial staffs so as to integrate the two functions. Accordingly, both the investigation and trial of all antimonopoly cases were brought together in the Bureau of Antimonopoly, and the investigation and trial of all cases involving antideceptive practices were brought together in the Bureau of Antideceptive Practices.

The reorganization also provided for relating more intimately the work of the Bureau of Industrial Economics with the work of the Bureau of Antimonopoly. "If free enterprise is to be preserved," the Commission said in announcing the reorganization, "the determination of economic facts is a prime requisite in this work."

In calling for greater development of cooperative work with industry, the Commission consolidated the former Bureau of Trade Practice Conferences and the Bureau of Stipulations into a Bureau of Industry Cooperation. It also created the position of assistant general counsel in charge of industry cooperation.

In the reorganization effective June 1, 1950, the Commission followed the rules of standard nomenclature with respect to the major organization units of the Commission. As speedily as consistent with good administration, it is now applying these rules where the need exists within the major organization units of the Commission.

For your information, I am enclosing herewith a chart of the Commission as reorganized June 1, 1950.

In another move to speed up the disposition of formal cases the Commission, under the reorganization effective June 1, 1950, authorized the trial examiners to make initial decisions in contested cases they hear. Under this new procedure, decisions of the trial examiners automatically become decisions of the Commission 30 days after they are served upon respondents, unless respondents or Commission attorneys supporting a complaint appeal from the decision to the Commission within said 30-day period or the Commission, on its own initiative, orders the case placed on its docket for review or stays the effective date of the order within said 30-day period.

The former practice was for the trial examiners to make "recommended decisions" and for the Commission to make the decisions.

Simplification of the trial procedure in formal cases and making of initial decisions by the trial examiners has eliminated much duplication of work and thus speeded action in contested cases.

The reorganization has effectuated in the Federal Trade Commission, by administrative action, recommendations of the Hoover Commission as follows:

Recommendation No. 13, part 3, Hoover Commission Report on General Management of the Executive Branch, for grouping subsidiary bureaus within departments as nearly as possible according to major purposes.

Recommendation No. 21, part 3, Hoover Commission Report on General Management of the Executive Branch, that the internal operating organization of each department follow a standard nomenclature as follows: Service, bureau, division, branch, section, unit.

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Recommendation No. 7 of the Report of the Hoover Commission on the Regulatory Agencies for improvement in procedures and reduction in the cost of disposing of business before administrative agencies.

The change in procedure authorizing the trial examiners to make initial decisions has also further effectuated in the Commission provisions of the Administrative Procedure Act (Public Law 404, 79th Cong.) with respect to the trial of cases.

REORGANIZATION PLAN NO. 8

Reorganization Plan No. 8 for the Federal Trade Commission became effective on May 24, 1950. While it vests administrative management of the agency in the Chairman, the Commissioners are responsible for the policies of the Commission and pass on management matters of primary significance, such as the appointment of heads of major organization units, the revision of budget estimates, and the distribution of appropriated funds according to major programs and purposes.

Upon my designation by the President as Chairman of the Commission on the effective date of the plan (May 24, 1950), I assumed the duties and responsibilities of the chairmanship as provided under the said plan.

Delegation of authority

As Chairman, I have delegated to the directors of bureaus responsibility and authority commensurate with their duties as directors of work programs adopted by the Commission and to the secretary and executive director authority commensurate with his responsibility to assist me in improving and coordinating the operations of the Commission.

Management improvement plan

On June 1, 1950, the Commission adopted a management improvement plan for the Commission, but at my direction it was not put into effect in the Commission until August 1, 1950. The reorganization of the Commission had been made effective as of June 1, necessiating the division of the staffs and records in the antimonopoly and anti-deceptive-practices work. To prevent further confusion and get the plan off to a proper start, I directed that the operation of said plan in the Commission be delayed until sufficient time had elapsed for the reorganization to become an accomplished fact.

The management improvement plan outlines the methods to be followed by the Commission and its organization units in (1) accomplishing systematic reviews to determine the degree of efficiency and economy of operations, (2) identifying opportunities for improvement and scheduling action to achieve such improvements, (3) identifying organization units that are outstanding and supervisors and employees who make outstanding contributions to efficiency and economy, and (4) reporting progress under the plan.

Supplementing and implementing the management improvement plan, the Commission adopted and put into operation on September 25, 1950, an incentive awards program. This program provides additional incentives for employees to participate in management improvement.

While the management improvement plan and incentive awards program have not been in effect for a sufficient period of time to fully evaluate their worth, the Commission does have tangible evidence that the provisions for systematic review of operations are producing beneficial results. For instance, procedures are being analyzed and steps in procedures sharply defined so that it is possible to better evaluate and report on the workload of the bureaus.

For your information, I am enclosing herewith copies of the management improvement plan and incentive awards program of the Commission.

This plan and program have effectuated in the Commission applicable provisions of Public Law 429, Eighty-first Congress, and Public Law 600, Seventy-ninth Congress.

Program and policy planning

Under my responsibility as Chairman, I submitted to the Commission a proposal for reorganizing and reactivating the central planning council to advise and assist the Commission in performing its statutory duties. On September 14, 1950, the Commission adopted said proposal for reorganization and reactivation of the central planning council. I then appointed the members of the council, subject to the approval of the Commission, which was given.

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The membership of the council is representative of the Commission's work, and the reorganized council is functioning more effectively in advising and assisting the Commission in programing and guiding its activities, with the view of achieving the Commission objective—the most fruitful utilization in the public interest of the powers and funds granted by statute and appropriation to keep the channels of interstate commerce free of restraints on competition and other unfair practices.

The planning council also advises and assists the Commission in better coordinating its program with the national program, with the view of promoting accomplishment of the national objectives.

In its Report on the Regulatory Commissions, the Hoover Commission found that the chief criticism that could be made of these commissions was that they become too engrossed in case-by-case activities and thus fail to plan their roles and to promote the enterprises entrusted to their care. The Hoover Commission also recognized that adequate planning cannot be decreed. The reorganization and reactivation of the Planning Council in the Commission recognizes that program planning is of first importance in achieving fulfillment of the Commission's objective and meets, from the standpoint of organization, the general criticisms of the Hoover Commission with respect to planning.

Field offices

Since I assumed the chairmanship I have inspected the six field offices of the Commission. Our field offices located in Seattle, San Francisco, and Chicago serve the West and Middle West. Our offices in New York City and Washington, D. C., serve the East and Middle East, and our New Orleans office serves the deep South.

The field offices of the Commission are located at points from which we can most efficiently and economically administer our statutory duties.

The Commission has taken the necessary steps to decentralize to its field offices more responsibility for the investigation and preparation of final reports in informal cases. Definite instructions developing criteria and procedures to be used in the assignment of such cases for investigation at the field-office level, fixing responsibility for immediate direction of the investigations and for the preparation of reports thereon, have been issued to the field offices. The system developed has promoted thoroughness in investigating the cases and eliminated the necessity for much of the review previously made in the bureaus of the Commission, as well as the preparation of lengthy review memoranda in the bureaus. It is possible now for the heads of divisions and bureaus to concur in a large percentage of the reports in informal cases by the attachment of endorsements approving the reports or by approving the reports with a limited exception or addition.

This system is standardizing procedures and strengthening investigations and reports of the field offices. It effectuates in the Commission Recommendation No. 24, part 3 of the Hoover Commission Report on General Management of the Executive Branch, for the strengthening of reporting and inspection practices in the Federal field services.

As Chairman, I am continuing and expanding the program providing for organization, methods, and procedures surveys of the various organization units of the Commission. These surveys are being made with the view of improving the internal structure and management within the major organization units of the Commission.

The following actions with respect to the fiscal personnel, records management, and supply operations of the Commission have been taken:

Budgeting and accounting action

The Commission has a budget officer who is chief of the Division of Budget and Planning and Assistant Secretary of the Commission.

The Finance Section of the Division of Budget and Planning has better systematized its cost accounting records. Administrative actions, promoting, and developing our accounting procedures in line with the reorganization of the Commission and the Budget and Accounting Procedures Act of 1950, have been taken by the Division. As a result, the Commission and bureaus now receive more accurate and factual reports on expenditures by bureaus and programs. Accounting support for budget estimates has also been strengthened by these revisions.

The staffing guides issued by the Bureau of the Budget for fiscal services have been studied and improvements in staffing requirements have been effected where possible.

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Personnel action

Reorganization Plan No. 8 transferred to the Chairman, subject to specific limitations, the executive and administrative functions formerly exercised by the Commission as a whole, including the appointment and supervision of personnel, the distribution of business among personnel and among administrative units, and the use and expenditure of funds.

Subject to his approval, the Chairman has delegated to the executive director the authority to act in all personnel matters.

The duly appointed Director of Personnel, with primary responsibility for personnel matters, works closely with the executive director on all such matters. In addition to his responsibility for action in all personnel matters, the Director of Personnel advises the executive director on all rules and regulations affecting personnel promulgated by the Civil Service Commission, the Bureau of the Budget, and the Comptroller General. He also advises the Management Improvement Committee concerning matters for consideration and recommendations of said Committee, and recommends procedures for effectuating in the Commission legislation concerning personnel as set forth in general form by the Civil Service Commission.

The Personnel Division has made the necessary adjustments in salary, titles, services, code, series and grade of records covering each position in the Federal Trade Commission in compliance with the Classification Act of 1949.

The Personnel Division, pursuant to the Classification Act of 1949, has been responsible for the classification of all positions in the Federal Trade Commission other than positions at grades 16, 17 and 18, in compliance with specifications promulgated by the Civil Service Commission.

As a result of the reorganization of the Federal Trade Commission, effective June 1, 1950, the Personnel Division prepared necessary organizational charts, job descriptions for all positions affected by the reorganization, reclassified positions, and processed actions on all positions according to the functions of each new organizational unit.

In compliance with the policy announced by the President through his administrative assistant in charge of personnel emphasis has been placed on the responsibility of supervisors in handling personnel matters and upon the responsibility of the Director of Personnel to advise supervisors concerning personnel matters; also the Director of Personnel is available at all times to anyone on personnel matters. Responsibility has been lodged with supervisors for initiating personnel actions.

The performance rating plan superseding the old efficiency rating system was considered of sufficient significance as a means of management improvement that the Chairman of the Commission discussed the provisions of the plan with the Director of Personnel and scheduled a series of meetings with employees in the various organizational units of the Federal Trade Commission, at which he discussed provisions of the plan and the performance which he expected of employees of the Commission. He also discussed the performance rating plan with all rating officials of the Commission, charging them with responsibility for administering the plan in such manner that the most capable and competent employees can be singled out for added responsibilities and their attendant rewards. A performance rating plan for the Federal Trade Commission is being prepared for approval of the Civil Service Commission.

The Director of Personnel serves as secretary to the Board of Special Examiners in examining and setting up registers for all attorney applicants. This responsibility requires advising the members of the Board of Special Legal Examiners on the regulations and procedures governing such examinations, maintaining all files and records pursuant to the establishment of registers, and the preparation and maintenance of registers resulting from the examinations. Incident to this responsibility is the interviewing and counseling of all attorney applicants, together with much correspondence with applicants, sponsors, and Members of Congress in connection with these applicants. A similar function is performed by the Director of Personnel in connection with establishing the register for economist GS–13. In addition, periodically, as requested by the Civil Service Commission, the Personnel Division furnishes assistance in conducting and monitoring civil-service examinations for positions common to all agencies.

The general personnel policy of the Federal Trade Commission is at present being revised for printing and issuance in the Employees' Handbook, a loose-leaf compilation issued to all employees at the time of the orientation interview,

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which contains statements of regulations and policy governing employment in the Federal Trade Commission.

The promotion policy of the Federal Trade Commission is likewise being revised for inclusion in the Employees' Handbook. Because of the nature of the mission of the Commission, which in turn determines the duties and subsequently the jobs necessary to perform the mission, the majority of positions in the Federal Trade Commission are legal, with a relatively small number of economists and accountants, and of course the necessary administrative employees. The over-all promotion policy of the Federal Trade Commission is to obtain the best qualified personnel available for the job. This is done through the system of examinations by Boards of Special Examiners. Insofar as is consistent with the general principle of obtaining the best qualified person available for the job, the Commission's policy is to promote employees who have demonstrated qualifications for performing more difficult work. There is a gap between the lower grade positions supporting the professional positions and professional positions in the Federal Trade Commission which it is impossible to bridge by promotion as a result of learning from experience on the job only. Additional formal education is necessary to meet qualification requirements.

All personnel actions since September 2 have been made in compliance with the procedures promulgated by the Civil Service Commission for administering the Whitten amendment to the Deficiency Appropriation Act of 1951.

Records management action

The Federal Trade Commission has established a records management program which is believed to be adequate. On April 2, 1950, it appointed a records management officer, with full administrative responsibility—

> "For a continuing and comprehensive program of records management for the Federal Trade Commission and to be the actual responsible custodian and manager of its records;
>
> "To plan and administer a program for current records maangement throughout the Commission, coordinating and if necessary reorganizing existing records offices and records systems; coordinating, improving, and revising the organization of records materials and classification systems therefor, including training personnel engaged in these fields of work;
>
> "To plan, initiate, and supervise the regular transfer of valuable noncurrent records to the National Archives, and the appraisal, selection, segregation, and elimination of valueless records; and to clear all schedules to the National Archives for disposition of records;
>
> "To advise the Commission, the Secretary, and the staff in matters of records production and administration."

The present program broadly contemplates—

> (*a*) Reorganization of functions and assignments of duties in the four branches of the Division of Legal Records;
>
> (*b*) Creation of manuals of procedures and system for guidance of supervisors and clerks;
>
> (*c*) Establishing a more regular and automatic disposal of appropriate material under the jurisdiction of the Division of Legal Records, to conserve space and equipment and to reduce the amount of material permanently lodged in the National Archives;
>
> (*d*) Survey of the organization and methods of the Division of Administrative and Economic Records, with probable reorganization and establishing a more regular and automatic disposal of material;
>
> (*e*) Survey of records work in operating bureaus, divisions, etc., to achieve maximum coordination, efficiency, and economy.

The organization and procedures of the operational phases of the Commission's work are the basis of the system of records management by the Division of Legal Records. The system of records management has been the subject of a thorough and detailed examination by a committee of the Bureau of the Budget. A full report by an outstanding authority in the field of records management, the records officer of the Bureau of the Budget, was strong in its commendation and disclosed no deficiencies in theory of management or in current operation other than some slowing down of production in one branch due to understaffing.

More recently the records management officer of the Federal Trade Commission has conferred with an inspecting representative of the Records Management Division of the National Archives. The contemplated program was fully

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explained as to scope and probable timetable. This received the oral approval of the investigator.

The program is in its first stage and there has been considerable constructive accomplishment. Changes have been made in the functions of two major branches, in the assignment of some personnel and in the assignment of duties of individual positions; similar but lesser changes have been made in a third branch. These have produced smoother operation, better service, and better utilization of personnel.

The general program has been considerably retarded and must progress slowly because of an almost disastrous personnel situation caused by retirements and extended illnesses of long experienced and key personnel and by some promotions of lower-grade employees to more attractive positions elsewhere in the Commission. Rebuilding is made difficult by inability to attract or hold well-qualified personnel in positions with the grades and salaries which present classifications rigidly prescribe for records work.

Payroll cost as of January 1, 1950, was $44,424.77; as of November 1, 1950, it was $30,763.89. There is therefore a gross saving of $13,660.88 from which must be deducted $9,350 for the filling of three now vacant but necessary positions (Assistant Chief of Division, Assistant Chief of Branch, and one clerk, GS–3) at a total cost of $9,350. There has been effected, therefore, a net saving of $4,310.88, with considerably increased efficiency. On October 30, 1950, there was also completed a substantial disposal of obsolete material which had accumulated because of shortage of personnel during the war and postwar period.

The Commission has little or no inactive records. In past years a considerable amount of material has been transferred to the National Archives and the material retained is in constant use although, obviously, there is less use of older records. However, records dating back to the early days of the Commission are constantly in use. Close watch is maintained to prevent the accumulation of material and there is no waste of filing space or furniture. The least expensive metal transfer cases are utilized as much as possible. Fifty-five percent of filed material is contained in these as against forty-five percent of current and constantly active material stored in more easily operated wooden furniture purchased many years ago.

No material presently in use by the Commission could be transferred to any records center and it is expected that no problem of filing space or furniture will be presented for at least 3 or 4 years. Before that time it is probable that contemplated recommendations of policy will, if adopted, enable the disposal of a considerable amount of material which has been held as permanently necessary. If this is achieved, the space and furniture presently in use should be sufficient for a very long time; annual disposals of material will continually provide space for current material. This is of course based upon a continuation of the present rate of accumulation. It would be modified to the extent that the work of the Commission might increase.

Supply operations action

The Commission has a services and supply officer with administrative responsibility for the efficient and economical handling of its supply operations.

A majority of Commission purchases of supplies are covered by purchase orders placed with the General Services Administration. The benefits received through efficient supply activities of the General Services Administration would be hard to determine so far as the Commission is concerned. Our orders are being filled more completely with fewer back orders than has been our experience in the past. Quick delivery of our orders by the General Services Administration enables us to develop satisfactory requisitioning schedules.

The inventory level in our stockroom has been reduced to an absolute minimum and very careful consideration is being given to small-dollar-value orders to eliminate needless expensive paper work as much as possible.

We are called upon, from time to time, to make reports and recommendations to the General Services Administration and have cooperated to the fullest extent.

We have been consulted on traffic management problems and activities by the General Services Administration but the volume of our shipping activities is so small that no appreciable savings can be accomplished.

We are endeavoring to keep our property management control records at the very minimum in order to avoid the necessity of a larger staff of personnel to handle such records. We are constantly planning for maximum utilization of property. The General Services Administration has improved upon the method of disposal of surplus and while this has not been a serious problem for the Federal

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Trade Commission, we do occasionally prepare a declaration of surplus property for items for which we no longer have any need.

The above actions and contemplated actions of the Commission with respect to budgeting and accounting, personnel, records management and supply operations implement and effectuate in the Commission applicable provisions of Public Law No. 784, the Budget and Accounting Procedures Act of 1950, the Classification Act of 1949, personnel policies announced by the President and rules and regulations issued by the Civil Service Commission, Bureau of the Budget, and Comptroller General regarding personnel matters, Public Law No. 152, Federal Property and Administrative Services Act of 1949, and Public Law No. 754, approved September 5, 1950, amending said act.

It is respectfully submitted that many improvements in the Commission cannot be evaluated in dollars and cents. Improvements in procedures, fully preserving "due process," make it possible for the Commission to increase its production and render administrative justice in the growing mass of matters coming under its jurisdiction with the limited staff provided.

However, numerous improvements by administrative action effecting economies in the operation of the Commission have been made, and others are contemplated. For instance, revision of the Rules of Practice of the Commission to conform to the reorganization and a change in the form of publication of said rules, together with institution of a new policy whereby a respondent is furnished copy of the individual act under which he is charged, are resulting in substantial monetary savings to the Commission. Prior to the reorganization, the Commisison published in one paper-bound book of 220 pages its Rules, Policy, Organization and Acts. The last printing of this publication was made in May 1949, when 2,500 copies were printed at a cost of $2,500. The Rules of Practice of the Commission are now a pamphlet of 20 pages, and it is estimated that the Commission has been able to reduce the cost of this item to approximately $350 per annum.

The centering in the Chairman of administrative responsibility for the functioning of the Commission has promoted orderly dispatch of the Commission's business.

The purposes of Reorganization Plan No. 8 are being effectuated in the Commission.

The Commission appreciates the interest of the Senate Committee on Expenditures in the Executive Departments in its operations. We recognize the grave responsibilities of management. It is our purpose to continue our efforts to promote efficient and economical administration of our activities and fulfillment of the constructive objectives of the laws administered by the Commission.

Yours sincerely,

JAS. M. MEAD, *Chairman.*

(The organization chart and other documents relating to management improvement of the FTC referred to by Commissioner Mead have been made a part of the committee's files.)

GENERAL ACCOUNTING OFFICE

DECEMBER 8, 1950.

Hon. JOHN L. MCCLELLAN,
Chairman, Committee on Expenditures in the Executive Departments,
United States Senate.

MY DEAR MR. CHAIRMAN: Further reference is made to your letter of October 31, 1950, requesting complete information as to (*a*) steps taken to carry out the provisions of certain legislation enacted by the Eighty-first Congress which apply specifically to the General Accounting Office, (*b*) administrative deficiencies eliminated or improvements in organization and management resulting from the enactments, and (*c*) estimates of savings realized or expected from implementation of the programs authorized by the measures, with emphasis on over-all progress under general legislation such as the Budget and Accounting Procedures Act of 1950 (64 Stat. 832) and the Federal Property and Administrative Services Act of 1949 (63 Stat. 377), as amended. Comment also is invited on report of your committee, printed as Senate Report No. 2581, Eighty-first Congress.

In accordance with your request, I am forwarding herewith, as enclosures 1 to 8, comments of the General Accounting Office with respect to each of the

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laws mentioned in your letter, including the administrative action taken by the General Accounting Office to implement the laws, and statements as to estimated savings.

I wish to point out to your committee that for the most part each of the laws commented on is either directly or indirectly related to the work being done under the joint accounting program of the Secretary of the Treasury, the Director, Bureau of the Budget, and myself, to improve accounting, auditing, and financial reporting in the Government.

The laws enacted during the Eighty-first Congress will be a tremendous step toward accomplishing the objectives of the program which was initiated with the cooperation of your committee. You, as chairman, and the members of your committee, as well as the committee staff, have made contributions of inestimable value to the program, and are deserving of great credit for the diligent and vigorous manner of handling the enactment of these laws, a number of which are highly technical and complex.

With reference to Senate Report No. 2581 a review has been made of the comments in the report, particularly those concerning accounting and auditing, and I have no suggestions to make at this time, other than that your committee may wish to include certain of the information which is furnished with this letter.

Sincerely yours,

LINDSAY C. WARREN,
Comptroller General of the United States.

PUBLIC LAW 784, APPROVED SEPTEMBER 12, 1950, BUDGET AND ACCOUNTING PROCEDURES ACT OF 1950

Public Law 784 deals with both budgeting and accounting. Since the primary interest of the General Accounting Office is in the accounting field, the comments with respect to Public Law 784 are limited to the provisions of part II of title I, which comprises a complete Accounting and Auditing Act of 1950. This legislation embodies the principles and objectives of the joint accounting program to improve the Government's accounting, financial reporting, and auditing. The provisions of part II will also facilitate the attainment of the budgetary improvements provided for elsewhere in Public Law 784. Part II spells out the clear-cut responsibilities and duties of the Comptroller General, the Secretary of the Treasury, and the head of each executive agency, while at the same time providing for the exercise of these duties and responsibilities in proper relationship and cooperation.

During the course of the hearings before your committee, when the legislation which resulted in the enactment of Public Law 784 was under consideration, a complete report was furnished of the progress which was being made under the joint accounting program. (See pp. 185–192 of the Hearings Before the Senate Committee on Expenditures on S. 2054, February 27, 28, March 2, 3, 6, and 7, 1950.) The work is being vigorously carried forward and the enactment of the provisions of Public Law 784 will allow the attainment of certain objectives, which were heretofore not legally possible.

Specifically, since the enactment of Public Law 784, the following action has been taken:

1. Under date of September 22, 1950, there was issued Treasury Department-General Accounting Office Joint Regulation No. 1. This joint regulation eliminates the necessity for the issuance of covering warrants, the requisitioning of funds, and the use of accountable warrants, in connection with repayments to appropriations. (See attachment No. 1.)

2. By Office Order No. 93, dated October 26, 1950 (attachment No. 2), the Comptroller General abolished the Accounting and Bookkeeping Division of the General Accounting Office, effective at the close of business December 31, 1950. To accompany Office Order No. 93, there was issued a memorandum dated October 26, 1950 (attachment No. 3), setting forth the disposition of functions which were formerly performed by the Accounting and Bookkeeping Division. The most significant items covered by the memorandum insofar as elimination of work is concerned are:

(*a*) The discontinuance of the function of issuing accounts and procedures letters by the General Accounting Office. Symbols and titles for appropriation, limitation, receipt, and trust accounts will be designated by the Treasury Department and other agencies in accordance with regulations.

(*b*) The discontinuance of maintaining fiscal officers' accountability ledg-

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ers, appropriation, special and trust fund receipt, and public debt ledgers, expenditure and limitation ledgers, special deposit ledgers, general ledger and general fund receipts ledger; prescribing symbols and titles; and developing related files pertaining to appropriations, expenditures, receipt and application of public, quasi public or trust fund matters.

3. Under date of October 5, 1950, the Comptroller General issued Accounting Systems Memorandum No. 10, which amplifies Joint Regulation No. 1 of September 22, 1950, and sets forth the procedures to be used in handling repayment transactions, including both reimbursements and refunds. (Attachment No. 4.)

4. Under date of November 20, 1950, the Comptroller General issued General Regulations No. 84, Second Revision, which—

(*a*) sets forth the responsibilities of the Treasury Department, the General Accounting Office and the various agencies for assigning account symbols and titles, and

(*b*) establishes the principles under which the symbols and titles will be assigned. (Attachment No. 4 (a).)

5. Under date of November 24, 1950, the Comptroller General issued Accounting Systems Memorandum No. 11, which places upon the departments and agencies the responsibility for the accounting and control of funds under limitations, including subsidiary accounts under working fund accounts established pursuant to section 601 of the Economy Act. (Attachment No. 5.)

6. At present a cooperative survey by representatives of the General Accounting Office and the Treasury Department is being made of certain fiscal operations of the Treasury Department for the purpose of developing an improved accounting system and all possible simplifications. This work is being carried forward under principles and objectives of the joint accounting program, and pursuant to the policies enunciated by the Congress in Public Law 784. See letter dated October 11, 1950, from the Secretary of the Treasury to the Comptroller General (Attachment No. 6) and reply of the Comptroller General dated October 23, 1950. (Attachment No. 7).

7. There have also been issued Office Order No. 67, Supplement 20, and Office Order No. 94, both dated November 22, 1950, and Office Order No. 30, Supplement No. 1, Office Order No. 78, Supplement No. 1, and Office Order No. 83, Supplement No. 1, all dated November 29, 1950, which supplement Office Order No. 93 mentioned above. (See attachments No. 8 and No. 9.)

With reference to the savings under part II of title I of Public Law 784, it is not possible at this time to accurately report, or to make an estimate of the over-all dollar savings that will be realized. As a result of the work done under the joint accounting program and by virtue of the provisions of Public Law 784, it has been possible to abolish the Accounting and Bookkeeping Division of the General Accounting Office. This action will result in no loss of control of public funds. In fact, the revised procedures which are being placed in effect should enable the General Accounting Office and the Government generally to do a more competent job. The Accounting and Bookkeeping Division employed 325 people as of October 26, 1950. Certain of the functions formerly performed by that Division are being transferred to other divisions of the Office; however, it will be possible to carry out the transferred functions with 61 people, making a reduction in personnel of 264 people, with an annual salary savings of approximately $925,000 per year.

Full implementation of the act will take considerable time, and many of the benefits that will accrue are not susceptible to specific identification as dollars saved. There is no doubt, however, that improvement of the Government's accounting, financial reporting, and auditing; the elimination of duplicating and overlapping functions; and a more adequate control of funds, will result in substantial savings and benefits far in excess of that apparent at this time.

Public Law 830, Approved September 23, 1950, Amendment to the Administrative Expense Act of August 2, 1946, 60 Stat. 806

Subsections 1 (b) and 1 (c) and sections 2 and 3 of Public Law 830 primarily deal with authorization for allowance of travel and transportation expenses of employees and new appointees to and from posts of duty outside the continental limits of the United States and evacuation of employees' families and household goods from danger zones under certain conditions. Section 1 (a) and sections 4 through 10 simplify certain administrative procedures by repealing re-

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strictions which from time to time have been placed in general appropriation accounts. Sections 1(a) and 4 through 10 simplify the requirements for payment of vouchers covering charges for newspaper advertising, repeal provisions of law requiring specific mention in appropriation acts of authority to make expenditures for printing and binding, personal services in the District of Columbia, health service programs and payment of tort claims. Some of the items covered in section 1 (a) and sections 4 through 10 were included in a report of the Comptroller General entitled "A Study of Restrictions on Expenditures of Appropriated Funds" which was submitted to the Congress on January 4, 1949, pursuant to section 205 of the Legislative Reorganization Act of 1946 (60 Stat. 837).

The provisions of Public Law 830 are for the most part self activating. Pursuant to the authority of Public Law 830, the Comptroller General has issued General Regulations No. 62, Supplement 2, dated November 15, 1950, which eliminates the requirement that a copy of Bureau of the Budget Standard Form 61a be forwarded to the General Accounting Office. (Attachment No. 1.)

It is not possible to furnish an estimate of the savings that will be accomplished as a result of the enactment of Public Law 830.

PUBLIC LAW 92, APPROVED JUNE 9, 1949, TRAVEL EXPENSE ACT OF 1949

Public Law 92 relates to the subsistence expenses and mileage allowances of civilian officers and employees of the Government. The principal effect of the legislation is to increase the rate of per diem in lieu of subsistence expenses payable to Government employees traveling on official business from a maximum of $6 to a maximum of $9 per day, and to increase mileage allowance for the use of privately owned automobile by employees traveling on official business from a maximum of 5 cents to a maximum of 7 cents per mile. A significant feature of the legislation is its comprehensiveness. The embodiment in one law of the provisions covering subsistence, mileage for use of privately owned automobile, and traveling expenses generally of Government officers and employees, together with the related factors of advance of funds and regulatory powers, constitutes a more realistic approach to the problems of official travel. The legislation serves to reduce the possibility of inequities and simplifies the administration and audit of travel accounts.

To effectuate Public Law 92, the General Accounting Office has issued General Regulations No. 88, Second Revision, dated November 7, 1950, which prescribes simplified voucher forms and procedures (Attachment No. 1) and the Bureau of the Budget has issued an amendment to the Standardized Government Travel Regulations dated October 1, 1950 (Attachment No. 2).

Due to the principal purpose of this legislation it, of course, does not result in any savings. To the contrary, at the time the legislation was considered by the Congress, the Bureau of the Budget estimated that the cost would approximate $52,770,000 a year in excess of the cost under then existing law. However, due to the simplification in the administration of payments for travel expenses, and elimination of the duplicate accounting for travel advances, there should be some savings in this field.

PUBLIC LAW 152, APPROVED JUNE 30, 1949, FEDERAL PROPERTY AND ADMINISTRATIVE SERVICES ACT OF 1949, AS AMENDED BY PUBLIC LAW 754, APPROVED SEPTEMBER 5, 1950

The General Accounting Office is particularly concerned with section 109 (e) relating to audit of the general supply fund, that part of section 201 (a) relating to the centralization of transportation and traffic management activities of the Government section 205 (b) which requires the Comptroller General to prescribe principles and standards of accounting for property, and to cooperate with the General Services Administration and the executive agencies in developing property accounting systems, etc., and section 206 (c) which requires the General Accounting Office to audit all types of property accounts and transactions.

Under section 109 (e), the Comptroller General is required to make an annual audit of the general supply fund and to report to Congress the results of the audit, together with such recommendations as he may have regarding the status and operations of the fund. The audit for the year ended June 30, 1950, is presently under way and a report of the audit will be made to the Congress when completed.

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Section 201 (a) authorizes the Administrator of General Services to regulate the policies and methods of executive agencies with respect to the procurement and supply of personal property and nonpersonal services, including related functions such as contracting, inspection, storage, issue, property identification and classification, transportation and traffic management, management of public utility services, and repairing and converting. It authorizes the Administrator to procure such personal property and nonpersonal services and to perform such related functions, to consolidate and operate or arrange for the operation of suitable warehouses, repair shops, and similar facilities, and to represent the executive agencies in negotiations with carriers and other public utilities. The General Accounting Office is directly concerned under this section in connection with transportation and traffic management activities. Under section 322 of the Transportation Act of 1940, practically the entire responsibility for the audit of payments made by the Government for transportation is placed on the General Accounting Office, that is, there is no requirement that the administrative agencies make any audit prior to payment, other than for the mathematical correctness or obvious errors. Consequently, action taken by the General Services Administration in the transportation field is of utmost importance in connection with the audit which must be performed by the General Accounting Office. The General Accounting Office is cooperating closely with the General Services Administration through correspondence and conferences to devise ways and means of securing the records necessary to the examination and audit of transportation vouchers and to the consideration of claims arising from the transportation activities of the Government, and to improve procurement practices with respect to transportation.

Section 205 (b) requires the Comptroller General, after considering the needs and requirements of executive agencies, to prescribe principles and standards of accounting for property; to cooperate with the Administrator, General Services Administration, and with the executive agencies in developing property accounting systems; to approve satisfactory systems; to examine systems of agencies from time to time to determine the extent of compliance with principles, standards, and approved systems; and to report to the Congress failure to comply therewith or adequately to account for property.

Under the joint accounting program, which was initiated in the fall of 1947, and since the enactment of Public Law 152, the General Accounting Office, in cooperation with the Bureau of the Budget, the Treasury Department, the General Services Administration, and the executive agencies, has been actively engaged in developing principles and standards of accounting for property of the Government. On June 27, 1949, there was issued to the heads of all departments and agencies a report entitled "A Federal Inventory Control System," prepared by the joint property accounting staff. That staff included representatives of the Treasury Department, the Bureau of the Budget, and the General Accounting Office (attachment No. 1). On January 17, 1950, a memorandum regarding the working relationship between the General Accounting Office and the General Services Administration, which outlines the general approach to be made with respect to the exercise of responsibilities of the two offices under Public Law 152 was entered into by the Comptroller General and the Administrator, General Services Administration. (See attachment No. 2.) While this memorandum is limited to setting forth the manner in which the General Accounting Office and the General Services Administration will discharge their respective interrelated responsibilities under Public Law 152, it lays the foundation for the work to be performed in the property accounting field. The principles and standards of accounting for property to be followed by all executive agencies have not, to date, been issued. However, much of the preliminary work has been done, and it is anticipated that such principles and standards will be available at an early date. In addition work on property accounting systems has been done in many individual agencies.

With reference to the examination of property accounting systems, it is important to note that this work has always been done in connection with the audit of Government corporations by the General Accounting Office under the provisions of the Government Corporations Control Act. Comments with respect thereto appear in the audit reports of the corporations which are submitted to the Congress.

Section 206 (c) requires the General Accounting Office to audit all types of property accounts and transactions. It provides that the audit shall include an evaluation of the effectiveness of internal controls and audits, and a general

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audit of the discharge of accountability for Government-owned or controlled property based upon generally accepted principles of auditing.

The General Accounting Office, as stated above, has examined the property accounts of Government corporations in connection with the audits made under the Government Corporation Control Act. Also, the audits performed of the agencies which have been assigned for comprehensive audit will include audits of property as required by section 206 (c). To date, 17 agencies or parts of agencies have been assigned for comprehensive audit. With respect to the balance of the agencies of the Government, a joint program for surveying this problem is being arranged with the General Services Administration and the work in connection therewith will be commenced shortly.

In addition to the above, approximately 1,000 inspections of field sites throughout the country (especially in the three Defense Departments, Veterans Administration, and the Department of the Interior), have included as a part of the inspection coverage, examination of the adequacies of property records and procedures, local control of property, etc. A great many questions have been developed and referred to the Departments for attention, among the most numerous of which are:

Records found to be inadequate and/or improperly maintained.
Differences (shortages or overages) in property inventories, warehouse stocks, etc.
Equipment, supplies, etc., in excess of local needs.
Insufficient care, control and/or safeguarding of property.
Government property diverted to personal use or other unauthorized purposes.

It is not possible, at this time, to make an estimate of the savings that will result from the enactment of the particular sections of the Federal Property Act, as amended, that are listed above. However, there is no doubt that they will result in more efficient operations of the Government generally and a far better utilization of the property of the Government.

PUBLIC LAW 216 (TITLE IV), APPROVED AUGUST 10, 1949—NATIONAL SECURITY ACT AMENDMENTS OF 1949

Title IV of Public Law 216 provides for better financial management of the Department of Defense by requiring a performance-type budget, allowing a greater flexibility in the control and use of funds, and establishing a comptroller in the Department of Defense and in each of the military departments.

In implementing title IV representatives of the General Accounting Office have worked with the Office of the Secretary of Defense and the three military departments on a consulting and assisting basis in developing preliminary principles and working out procedures and regulations for industrial funds, management funds, and stock funds, for the development of cross disbursing and cross servicing accounting methods, cost accounting procedures, improvements in property accounting, and improved and simplified appropriation and fund accounting.

Changes in control and audit practices of the General Accounting Office which have been made possible by the National Security Act amendments of 1949 and other current accounting legislation have been made on a day-to-day basis as internal Defense Department procedures have been developed in line therewith.

Plans are being developed in conjunction with the defense departments to provide sound over-all accounting structures which coincide with the assignment of command and operating responsibilities and provide for the maintenance of accounting records at the source of operations to the full extent desirable, and to develop comprehensive type internal audit programs by adapting commercial accounting principles to the Government's requirements and coordinating necessary compliance features of the audit required under existing legislation.

The General Accounting Office is not in a position to estimate the savings that have been or will be accomplished as a result of the enactment of title IV.

PUBLIC LAW 636, APPROVED AUGUST 3, 1950, SETTLEMENT OF ACCOUNTS OF CERTAIN DECEASED CIVILIAN OFFICERS AND EMPLOYEES OF THE GOVERNMENT

Public Law 636 simplifies and improves the method of settling and adjusting the accounts of deceased civilian employees of the Government. Sections 3 (a), 3 (b), and 5 of the act require the issuance of rules and regulations by the

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Comptroller General setting forth the procedures to be followed in carrying out the act. Under date of October 23, 1950, the Comptroller General issued General Regulations 104, supplement 1, wherein the procedures and standard forms are prescribed for the use of the agencies covered by the act. (See attachment No 1.)

As a result of the enactment of Public Law 636, there will not only be a more expeditious payment of amounts due deceased civilian employees, but there will also be a considerable savings in administrative expenses. It is estimated that under the provisions of Public Law 636, approximately 80 percent of the claims for amounts due deceased civilian employees, which prior to December 1, 1950, were settled by the General Accounting Office, will be adjudicated by the administrative offices. This will result in a savings to the General Accounting Office of approximately $42,000 per year. While savings to other agencies of the Government in administrative costs cannot be accurately measured by the General Accounting Office, it is believed that some savings will be made, and it is possible that Public Law 636 will result in an aggregate savings to the Government of $100,000 annually.

PUBLIC LAW 656, APPROVED AUGUST 4, 1950, FINANCING OPERATIONS OF THE TREASURY DEPARTMENT, BUREAU OF ENGRAVING AND PRINTING

Public Law 656 provides for financing the operations of the Bureau of Engraving and Printing of the Treasury Department on a businesslike basis by providing for a working capital fund, without fiscal year limitation, and for a commercial-type audit of the Bureau by the General Accounting Office.

The act does not become effective until July 1, 1951. However, the General Accounting Office has been working closely with the Treasury Department in the development of principles and standards to be followed by the Bureau of Engraving and Printing in its new accounting system. In addition, the General Accounting Office has recently commenced the survey portion of the audit for the fiscal year ended June 30, 1951.

There is enclosed a copy of memorandum dated November 1, 1950, which sets forth the progress made in the installation of an accrual accounting system for the Bureau of Engraving and Printing. (Attachment No. 1.)

It is not possible at this time to estimate the savings that will result from the enactment of Public Law 656. It will make possible a more efficient operation of the Bureau of Engraving and Printing and a full disclosure of costs. This can only result in economies to the Government.

PUBLIC LAW 712, APPROVED AUGUST 17, 1950, POST OFFICE DEPARTMENT FINANCIAL CONTROL ACT OF 1950

Public Law 712 provides the framework for the constructive and cooperative development for the Post Office Department of a system of accounting, financial reporting, and audit, with full recognition of the Department's special status, as a revenue producing public service organization.

The following steps have been taken to carry out the provisions of the act:

1. Letter dated September 22, 1950, from the Postmaster General to the Comptroller General and reply of the Comptroller General dated September 25, 1950, expressing agreement to the proposal that certain functions of the General Accounting Office be transferred to the Post Office Department effective November 15, 1950. (See attachment No. 1.) The transfers proposed by the exchange of correspondence were effected on November 15, 1950.

2. By Office Order No. 92, revised, dated November 1, 1950, the Comptroller General abolished the Postal Accounts Division of the General Accounting Office and established the Postal Audit Division. The Chief of the Postal Audit Division is made responsible for (*a*) the audit of the financial transactions of the Post Office Department as provided in section 5 of Public Law 712, and for the discharge of any other auditing responsibilities imposed by law upon the General Accounting Office, insofar as they may relate to the Post Office Department; (*b*) the development of a comprehensive audit program of the Post Office Department and for the auditing and accounting methods and procedures incident thereto; (*c*) cooperating in establishing an accounting system for the Post Office Department, as required by section 2 of Public Law 712. (See attachment No. 2.)

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3. Under date of November 2, 1950, an agreement was entered into by the Comptroller General, the Postmaster General, and the Director, Bureau of the Budget, relative to the transfer of records, property, personnel and appropriations from the General Accounting Office to the Post Office Department. (See attachment No. 3.)

Full implementation of Public Law 712 will take considerable time and there are many problems yet to be solved. However, representatives of the General Accounting Office and the Post Office Department are cooperating closely in working out all details.

With reference to the financial effect of Public Law 712, it is not believed that vast immediate savings can be accomplished. However, full implementation of the act will improve control over revenues and expenditures and make for more efficient and economical use of funds. It is believed that this will result in ultimate savings, as well as a more effective operation of the postal system.

(All attachments and enclosures referred to in the Comptroller General's report have been made a part of the committee files.)

GENERAL SERVICES ADMINISTRATION

DECEMBER 12, 1950.

Hon. JOHN L. MCCLELLAN,
Chairman, Committee on Expenditures in the Executive Departments,
United States Senate, Washington 25, D. C.

DEAR SENATOR MCCLELLAN: As requested in your letter of October 25, 1950, there is submitted herewith a report of the steps taken to effectuate a number of reorganization plans and legislative acts which affect the General Services Administration, together with a brief summary thereof.

The report also includes information on administrative deficiencies eliminated or improvements made in organization and management, and estimated savings realized or expected, as the result of these reorganization plans and legislative acts.

Sincerely yours,

JESS LARSON, *Administrator.*

SUMMARY OF REPORT TO THE SENATE COMMITTEE ON EXPENDITURES IN THE EXECUTIVE DEPARTMENTS ON THE EFFECT OF VARIOUS REORGANIZATION PLANS AND LEGISLATIVE ACTS TO REORGANIZE AND PROMOTE ECONOMY AND EFFICIENCY IN THE EXECUTIVE BRANCH

1. REORGANIZATION PLAN NO. 7 OF 1949 TRANSFERRING THE PUBLIC ROADS ADMINISTRATION TO THE DEPARTMENT OF COMMERCE

a. Steps taken to effectuate

In accordance with the provisions of Reorganization Plan No. 7 of 1949, and determinations and dispositions made by the Director of the Bureau of the Budget pursuant to section 3 of the plan, the functions, records, property, personnel, and funds of the Public Roads Administration have been transferred to the Department of Commerce. These transfers were made as of the effective date of the plan, i. e., August 20, 1949.

b. Administrative deficiencies eliminated or improvements made in the organization and management of GSA

Reorganization Plan No. 7 of 1949 has resulted in the elimination of administrative deficiencies and improvements in the organization and management of the General Services Administration to the extent that the plan has resulted in the removal from the Administration of programs which might possibly complicate, hamper, or detract from the performance of its intended purpose. Some of the advantages made available to GSA by the elimination of unrelated functions, as provided by Reorganization Plan No. 7 of 1949, are as follows: (1) Greater concentration of the efforts of top administrative and staff officers toward the accomplishment of the primary mission of the General Services Administration; (2) simplification of the problem of getting employees to understand and accept the objectives of the General Services Administration; and (3) more effective coordination of programs.

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c. Estimates of savings realized or expected

The Public Roads Administration appears to be the primary beneficiary of such tangible savings as have been or will be realized. The General Services Administration has no tangible savings to report.

2. REORGANIZATION PLAN NO. 15 OF 1950, TRANSFERRING ALASKA AND VIRGIN ISLANDS PUBLIC WORKS FUNCTIONS TO SECRETARY OF INTERIOR

a. Steps taken to effectuate

In accordance with the provisions of Reorganization Plan No. 15 of 1950 and determinations and dispositions made by the Director of the Bureau of the Budget pursuant to section 3 of the plan, the functions, records, property, personnel, and funds relating to Alaska and Virgin Islands public works, were transferred to the Department of the Interior. These transfers were made as of the effective date of the plan, i. e., May 24, 1950.

b. Administrative deficiencies eliminated or improvements made in the organization and management of GSA

The internal operations of the General Services Administration have been improved by Reorganization Plan No. 15 of 1950, to the extent that it has resulted in the removal from the Administration of programs not directly related to the primary mission of the organization. The nature and extent of the benefits derived from the removal of unrelated programs has already been discussed in this report. The Department of the Interior appears to be the primary beneficiary of any improvements resulting from the closer integration, simplification of relationships, and more economical administration, of public works programs in the Virgin Islands and Alaska.

c. Estimates of savings realized or expected

It appears that such savings as may have been realized will have been to the benefit of the Department of the Interior. The General Services Administration has no tangible savings to report.

3. REORGANIZATION PLAN NO. 16 OF 1950, TRANSFERRING GSA ASSISTANCE TO SCHOOL DISTRICTS, AND FOR WATER-POLLUTION CONTROL TO FEDERAL SECURITY AGENCY

a. Steps taken to effectuate

In accordance with the provisions of Reorganization Plan No. 16 of 1950, and determinations and dispositions made by the Director of the Bureau of the Budget pursuant to section 3 of the plan, the functions, records, property, personnel, and funds of the General Services Administration relating to assistance to local school districts and grants and loans for water-pollution-control projects, have been transferred to the Federal Security Agency. These transfers were made as of the effective date of the plan, i. e., May 24, 1950.

b. Administrative deficiencies eliminated or improvements made in the organization and management of GSA

The internal operations of the General Services Administration have been improved by Reorganization Plan No. 16 to the extent that it has resulted in the removal from the Administration of programs not directly related to the principal objectives of the organization. The nature and extent of the benefits derived from the removal of unrelated programs has previously been discussed in this report. The Federal Security Agency appears to be the primary beneficiary of any improvements resulting from better integration, elimination of overlapping functions, simplification of relationships, and more economical administration of the programs for assistance to school districts and water-pollution control.

c. Estimates of savings realized or expected

The Federal Security Agency appears to be the primary beneficiary of any savings which have or may be expected to accrue. The General Services Administration has no tangible savings to report.

4. REORGANIZATION PLAN NO. 17 OF 1950, TRANSFERRING ADVANCE PLANNING AND MANAGEMENT OF WAR PUBLIC WORKS TO HOUSING AND HOME FINANCE AGENCY

a. Steps taken to effectuate

In accordance with the provisions of Reorganization Plan No. 17 of 1950 and determinations and dispositions made by the Director of the Bureau of the

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Budget pursuant to section 4 of the plan, the functions, records, property, personnel, and funds of the General Services Administration relating to the advance planning of non-Federal public works and the management and disposal of war public works were transferred to the Housing and Home Finance Agency. These transfers were made as of the effective date of the plan, i. e., May 24, 1950.

b. Administrative deficiencies eliminated or improvements made in the organization and management of GSA

The internal operations of the General Services Administration have been improved by Reorganization Plan No. 17 to the extent that it has resulted in the removal from the Administration of programs not directly related to the principal objectives of the organization. The nature and extent of the benefits derived from the removal of unrelated programs has previously been discussed in this report. The Housing and Home Finance Agency appears to be the primary beneficiary of any improvements resulting from better integration and coordination, avoidance of duplication of staff, and more economical administration of the programs concerned with the planning and development of communities and the disposal of properties built or acquired under the Lanham Act of 1940.

c. Estimates of savings realized or expected

The Housing and Home Finance Agency appears to be the primary beneficiary of any savings which have or may be expected to accrue. The General Services Administration has no tangible savings to report.

5. REORGANIZATION PLAN NO. 18 OF 1950 TRANSFERRING BUILDING AND SPACE-MANAGEMENT FUNCTIONS TO THE GENERAL SERVICES ADMINISTRATION

a. Steps taken to effectuate

As a result of a study to determine how the plan should be effectuated, all Federal agencies were delegated authority to continue to exercise temporarily their functions of leasing general-purpose space and the assignment and reassignment of space. The authority to continue leasing and assignment functions was rescinded effective December 1, 1950, for the Department of Defense and will be rescinded January 1, 1951, for all other agencies, except in cases where the Administrator determines this is not desirable for efficient and economical administration.

In connection with the transfer of office building management functions, 112 buildings have been taken over and studies are being conducted to determine the desirability of taking over others. The 112 buildings taken over involve approximately 17,000,000 square feet of space and approximately 4,500 employees.

b. Administrative deficiencies eliminated or improvements made in organization and management of GSA

By centralizing responsibility for leasing, space utilization, and buildings management, in a single agency with an organization structure designed to facilitate the acquisition of general-purpose space by lease, its assignment and reassignment, and the management of office buildings, Reorganization Plan 18 has made possible improvements in the organization and management of the Government's administrative services activities in the following ways: (1) by permitting the leasing of entire buildings and large blocks of space instead of numerous small units; (2) by eliminating competition among Federal agencies for leased space, which tends to drive up rental rates; (3) by concentrating leasing in the hands of specialists who know the local real-estate market and are experienced in negotiating leases; (4) by permitting the establishment of definite standards of space utilization and requiring agencies to justify their space requests before persons who are qualified to judge the reasonableness of the requests; (5) by preventing agencies from entering into leases at high costs when suitable space is, or is about to become, available in Government-owner buildings or in lower-cost leased buildings; and (6) by permitting the use of 5-year leases instead of annual leases where the condition of the rental market warrants.

c. Estimates of savings realized or expected

Until the plan has been in effect a greater length of time, it is not possible to state what reduction in expenditures or savings may be realized or effected as a result of plan 18. However, the centralization of responsibility and operations concerned with the leasing and assignment of space outside the District of Columbia, now scattered among a large number of agencies, should produce savings of a substantial amount.

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6. REORGANIZATION PLAN NO. 20 OF 1950, TRANSFERRING STATE DEPARTMENT FUNCTIONS REGARDING STATUTES AT LARGE AND OTHER MATTERS TO GSA

a. Steps taken to carry out Reorganization Plan 20 and Public Law 821

Responsibility for the performance of the functions listed in the reorganization plan has been delegated to the National Archives and Records Service. The records, property, personnel, and funds of the State Department employed in connection with all of these functions were transferred to the National Archives and Records Service on May 24, 1950, the effective date of the reorganization plan.

The treaties and other international agreements entered into beginning as of January 1, 1950, will be published by the State Department in a separate series as required by Public Law 821. Public Law 821 confers no duties on the General Services Administration other than those already assigned under Reorganization Plan No. 20.

b. Administrative deficiencies eliminated or improvements in organization and management of GSA

At the time of the transfer of functions, there existed a very acute need for reducing the time required to publish slip laws and the Statutes at Large. A review of the methods used in connection with the publication of slip laws and Statutes at Large revealed the possibility of developing improved publication practices by taking advantage of methods already used in connection with the Federal Register, provided approval of certain changes could be obtained from the Government Printing Office and the Joint Committee on Printing. This approval was obtained and should result in overnight printing of all but the longest slip laws. It should also result in the publication of future volumes of the Statutes at Large within 2 months of the end of a session.

c. Estimate of savings expected

Official estimates furnished by the Government Printing Office indicate that the offset printing of the slip laws and Statutes at Large will result in immediate savings in printing costs of approximately 37 percent. This would have amounted to $41,848.95 if the relatively few laws enacted in 1948 had been printed by the new method.

7. PUBLIC LAWS NOS. 152 AND 754, FEDERAL PROPERTY AND ADMINISTRATIVE SERVICES ACT OF 1949, AND AMENDMENTS THERETO

a. Steps taken to effectuate

(1) *Organizing to meet the provisions of the acts.*—The agencies transferred to General Services Administration continued under a temporary operating plan until December 11, 1949, when a new organization for the central office of the Administration was put into effect. On April 24, 1950, geographic areas were defined for 10 regional offices to be located in key cities throughout the country.

On September 25, 1950, the regional office organization was established, providing for the assignment of functions and responsibilities of an operating nature to units that are a counterpart of the planning and control units of the central office, and authority was delegated to various officers and employees of the Administration to carry out the assigned responsibilities. The appointments of regional directors were announced September 26, 1950.

(2) *Personal property management.*—The Administration's personal property management program is directed toward accomplishment of the following broad objectives: (*a*) to develop Government-wide control of inventories and assure maximum utilization of excess property before it is disposed of as surplus or new purchases are made; (*b*) to assure that purchases are made by economical and efficient methods, in the quantities required, and with a fair proportion going to small business; (*c*) to assure economical storage and issue; and (*d*) to assure economical freight traffic practices in the shipment of Government property, and efficient management and procurement of other public utility services. The activities authorized by Public Law 152 and carried on in connection with these broad objectives are described in the following paragraphs.

(*a*) *Establishment of a uniform property identification or catalog system and standard purchase specifications.*—On July 19, 1950, the Administrator of General Services delegated to the Secretary of Defense full authority to develop the system. The Secretary of Defense has redelegated this authority to the Chairman of the Munitions Board. An advisory group, composed of representatives from

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each of the three military departments and the General Services Administration, and a system for appeals from decisions were also set up.

By August 15, 1950, one-third of the estimated total of military supply items had been described under the new uniform Federal catalog system. The General Services Administration, as representative of civil agencies, has participated in policy and procedural studies with the Munitions Board Cataloging Agency.

Federal specifications do not now cover all of the important items of common use required by Federal agencies. The Administration's program has been designed so that the objective of making Federal specifications available is being accomplished more quickly. During fiscal year 1950, 191 revisions, amendments, or new Federal specifications were promulgated, and 26 GSA specifications were issued.

(*b*) *Contracting.*—The basic objectives of this activity are (1) the acquisition of needed commodities, in the proper quantities, at the proper times, and at advantageous prices, and (2) the full utilization of all available sources of supply, including small business establishments. Action being taken to achieve these objectives includes: (1) expansion of consolidated purchasing of common-use items by the Administration and other designated agencies; (2) reexamination and adjustment of purchasing policies, methods, and techniques in the light of changing requirements and economic conditions; (3) development of procurement regulations designed to promote uniformity, simplicity, and speed in purchasing; and (4) the survey of contracting and purchasing facilities of executive agencies.

(*c*) *Transportation, traffic, and other public utility services management.*—A comprehensive program of freight traffic management has been developed which is aimed at eliminating excessive charges for movement of public property and at making available to Federal agencies a reliable source of relevant information. A freight classification guide covering some 3,000 stock catalog items, describing all such items in shipping terminology, has been issued and revised and its use made mandatory in all supply centers of the Administration.

Administration activities in the field of public utility service management include the following: (1) Supervision of contracting for major utility service contracts to insure that service is obtained at minimum rates; (2) continuing review of existing power contracts to insure that these are at the lowest rates; (3) survey and reduction of Government telephone and telegraph installations to the minimum size consistent with efficiency; (4) participation in the more important utility rate negotiations and formal rate cases before regulatory commissions; and (5) negotiation of long-term contracts, whenever these will provide for lower rates than otherwise available.

(*d*) *Inspection.*—The General Services Administration is currently engaged in establishing economical and efficient systems for inspection and testing throughout the Federal Government. Substantial progress has been made in formulating inspection and testing arrangements with the military services in an effort to bring about an eventual interchange of inspection and testing services on a reimbursable basis.

(*e*) *Storage and issue.*—The program for achieving the desired results in this field involves the following major phases: (1) Continued operation and improvement of the Administration's storage-and-issue warehouses, with greater coverage of common-use items; (2) extension of the stores system to include all items commonly used by executive agencies; (3) study of storage-and-issue facilities of executive agencies to determine which should be consolidated, merged, or otherwise modified; (4) assignment of storage and issue functions with respect to specific commodities to other agencies when it is determined that a given agency is best qualified to perform such functions for all agencies; (5) developing and prescribing policy and methods of storage and issue of personal property by executive agencies; (6) study of inventories held by executive agencies and, through cooperation with them, the establishment of reasonable inventory levels; and (7) development of a means of providing information to measure the effectiveness of this program and to point out the areas in need of corrective action.

(*f*) *Property utilization and disposal.*—The program covering the utilization and disposal of excess and surplus personal property was developed as a result of broad studies carried on during fiscal year 1950. These studies also provided the basis for a regulation, setting forth the basic policy of the Administrator. Details of the field organization and operating procedures needed by General Services Administration to carry out operations under the regulation have been developed. The regulation, field organization, and procedures are to be placed

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in operation this fiscal year and should materially facilitate better utilization of personal property.

(3) *Real property management.*—Responsibility for the new and transferred functions relating to real property management are carried out in the General Services Administration by its Public Buildings Service, comprised primarily of former Public Buildings Administration personnel. The consolidation into one service of all real-property functions afforded new opportunities for improving efficiency in the acquisition, utilization, and disposal of real property.

During the fiscal year 1950, plans were developed for the improvement of services previously performed by constituent agencies and for the execution of new and expanded responsibilities. Standards were developed for utilization of real property owned and leased for the use of the Government, and regulations were prepared setting forth the more important factors to be considered in bringing about more effective and efficient space utilization. Surveys of Government property and property-management practices were initiated to ascertain the extent to which space is economically and efficiently utilized and to provide the basis for transfers and reassignments of space.

Procedures were developed for the reporting and transfer of property which is excess to the needs of individual agencies and for the disposal of realty which is determined to be surplus. Federal agencies now report to this Administration real property no longer required for the discharge of their responsibilities and make known their needs for additional property. This matching of needs with available property assures an efficient program of space and property use. No property is disposed of without careful screening for defense needs.

The following are the major activities carried on in connection with the real property management functions of the Administration: (*a*) real property acquisition and utilization; (*b*) design, construction, repair, and improvement of Federal buildings; (*c*) operation, maintenance, and protection of public buildings; (*d*) management of the national industrial reserve property; and (*e*) management and disposal of surplus real property.

(4) *National Archives and records management.*—In the field of records management, Public Law 152 transferred to the Administrator of General Services the functions previously assigned to the National Archives Establishment.

Public Law 152 also assigned additional functions to the Administrator of General Services. He was authorized to make surveys of Government records and records management and disposal practices and to obtain reports thereon from Federal agencies. The Administrator was further authorized to promote improvements in records management, including central storage and disposition of records, and to report to Congress and to the Director of the Bureau of the Budget the results of such activities.

On September 5, 1950, Public Law 152 was amended by the enactment of Public Law 754 (Federal Records Act of 1950) which established the authority of the Administrator of General Services on a Nation-wide basis with respect to records management activities. He was empowered to bring about improvements of standards, procedures, and techniques with respect to the creation of records, the maintenance of current records, and the disposal of records no longer needed for current operations. It specifically authorized the Administrator to establish and operate records centers. Provision was also made for deposit in the National Archives, under certain conditions, of the personal papers and other personal historical documentary material of the Presidents, the heads of executive departments, and certain other officials.

Responsibility for the records management program in the General Services Administration is assigned to the National Archives and Records Service, which is comprised of the personnel of the former National Archives Establishment.

(*a*) *Records management.*—

(i) *Development of organization for records management.*—A Records Management Division was created in the National Archives and Records Service by order of the Administrator effective December 11, 1949.

(ii) *Records management surveys.*—During the fiscal year 1950 four surveys were undertaken, one of which had been completed by the end of the year.

(iii) *Records inventorying and scheduling.*—To determine the exact extent to which Federal records have been scheduled, a careful review was undertaken of all records retirement schedules approved by Congress. Permissive general disposal schedules were issued covering records in common use throughout Government agencies, such as personnel records and fiscal and accounting records. General schedule No. 7, covering the records of

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health units in Government agencies, was compiled and promulgated in May 1950. New regulations establishing the standards for the reproduction of records by microphotographic processes were promulgated by the National Archives Council on July 29 and approved by the President on August 22. A single standard Government form was introduced for use in obtaining authorization to dispose of records, replacing six different forms previously necessary. In December 1949 a new manual on the Disposition of Federal Records was issued.

(iv) *Records centers.*—To test the economy and efficiency of records centers, it was decided to establish a pilot General Services Administration records center in the New York City area, which has the largest concentration of Federal records outside Washington. By June 30, 1950, the center had received 45,000 cubic feet of records and thereby had released 57,000 square feet of space.

(*b*) *The National Archives*—

(i) *Appraisals and accessioning of records.*—As a result of new procedures established during the year and described in the manual, the Disposition of Federal Records, disposal work was considerably streamlined.

(ii) *Analysis and description of records.*—The major accomplishment of the analysis and description program was the completion during the year of a guide, or handbook, describing the functions and records of Federal agencies of World War II. Also, the popular booklet, Your Government's Records in the National Archives, which was first published in 1946, was revised to include descriptions of records received up to April 1, 1950; the 284-page Preliminary Inventory of the Records of the United States Senate was published; substantial progress was made in inventorying the records of the House of Representatives in the National Archives; and descriptions of the records of the First through the Sixty-sixth Congress were completed. In addition, a valuable inventory of the land-entry papers of the General Land Office was published.

(*c*) *The Federal Register and other publications*—

(i) *Code of Federal Regulations.*—Major attention of the Federal Register Division was centered during the fiscal year 1950 on the compilation and publication of the 1949 edition of the Code of Federal Regulations.

(ii) *Federal Register.*—During the fiscal year 1950, 11,175 documents were reviewed and filed, and 8,556 pages were proofed and released for press.

(iii) *United States Government Organization Manual.*—The United States Government Organizational Manual was revised in 1949 to bring it into harmony with the Code and the Federal Register so that the three constitute a useful, related set of publications.

(iv) *Indexes and ancillaries.*—Monthly, quarterly, and annual indexes are published covering all documents published in the Federal Register. Each book of the 1949 Code of Federal Regulations contains a short, separate index; and a general index volume, in process on June 30, 1950, are scheduled for delivery within a few months after the close of the fiscal year 1950.

(*d*) *The Franklin D. Roosevelt Library.*—On March 17, 1950, about 85 percent of the total volume of the Roosevelt papers, 1910–45, were opened for research purposes.

b. Administrative deficiencies eliminated or improvements made in the organization and management of GSA

At the time of the establishment of the General Services Administration under Public Law 152, identical or similar staff and administrative service functions were being performed independently in the agencies brought under the jurisdiction of GSA. These included the development of policies, procedures, methods, and organization structure, and the furnishing of internally required administrative services such as mail, file, and messenger service; procurement; travel; telephone; printing and duplicating; etc. Much progress has been made in the consolidation of these functions. The integration of personnel offices, and budget and accounting activities, are examples of improvements made in the staff or administrative service areas.

Regional offices were established and operating authority decentralized in order to (*a*) provide better service to the field offices of executive departments and agencies; (*b*) decrease costs and operational delays inherent in referring matters for central office approval; (*c*) increase local participation in Government purchasing; (*d*) provide top-level representation throughout the United States for liaison with business firms, business councils, and other agencies on

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Government property and records management activities; and (*e*) assist small business through increased local procurement.

To speed up management improvement studies within the Administration, an allocation was obtained from the President's fund for management improvement to finance the following projects: (*a*) The study of legislation pertaining to the procurement, utilization, and disposal of Government property to determine revisions needed as the result of Public Law 152; (*b*) review and improvement of operations relating to standard purchase specifications and commodity standardization; (*c*) analysis of cataloging programs of civil establishments; (*d*) development of standards for establishing inventory levels and requirements; (*e*) review of purchase and storage activities of the Federal Government; (*f*) development of a plan for coordinating Government-wide inspection and testing activities; (*g*) collection of facts and development of plans for Government-wide property utilization and disposal; (*h*) development of plans to reduce transportation costs; (*i*) conduct of pilot operations for records centers; (*j*) planning and promotion of improved methods for record making, record keeping, and record disposition; (*k*) survey and development of plans for space assignment and control, leasing, management of real property, and maintenance of real property inventory; (*l*) development of plans for centralizing control of office furniture. furnishings, and equipment; and (*m*) development of standards of efficiency in the management of public buildings. More detailed information on the improvements accomplished as the result of these special projects and other activities is contained in the report covered by this summary.

c. Estimates of savings realized or expected

There follow examples of some of the instances in which savings have been realized as the result of operations carried on by the General Services Administration under the authorities contained in Public Law 152. Since these examples are summaries in many cases, reference must be made to the over-all report to obtain an accurate understanding of what they involve.

(1) *Personal property management*—(*a*) *Method of procurement for furniture.*—At the request of the Quartermaster General, Department of the Army, furniture was procured at a cost of $1,105,000, as compared with an estimated $1,400,000 if procured by routine methods.

(*b*) *Standardization of purchase specifications and commodities*—

(i) Nine new GSA specifications for executive-type wood furniture contributed to price reductions estimated to save $114,000 annually.

(ii) Use of a new GSA specification for wood desks is expected to contribute to an estimated saving of $55,000 in fiscal year 1951, based on purchasing volume in previous years.

(iii) Implementation of a standardization project to replace milled toilet soap with floating toilet soap wherever possible is expected to result in a savings of approximately $45,000 annually.

(*c*) *Freight-rate negotiations.*—Negotiations with carriers for adjustment of freight rates produced estimated savings of $1,711,709.

(*d*) *Utilities management*—

(i) Consolidation of telephone switchboard facilities has resulted in savings of personnel and equipment estimated at $39,000 annually.

(ii) More favorable rates obtained for electricity and gas consumption resulted in savings estimated at $7,500 annually.

(iii) Successful defense in the Court of Claims of a claim by the city of Los Angeles for additional payment for electric service at a Japanese relocation camp saved $54,000.

(iv) Refund obtained for prior year's overcharges for gas service amounted to $11,800.

(v) Estimated savings on an electrical installation in New York through the revision of equipment specifications: $20,000.

(*e*) *Procurement of fuel oil for Washington area.*—By taking advantage of new storage facilities, it is estimated that there will be an annual saving of approximately $88,000.

(*f*) *Furniture repairs.*—An agreement with the Federal Prison Industries to service old furniture and to refurnish and rebuild surplus furniture resulted in estimated savings for fiscal years 1950 and 1951 of $67,000.

(2) *Real property management*—(*a*) *Building improvements.*—Federal buildings in Virginia were connected to the Virginia Heating and Refrigeration Plant for greater utilization of plant capacity. Estimated savings, three projects, $77,500.

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(*b*) *Protection and maintenance of NIR plants.*—Changing from contract operation to force account operation and vice versa when advantageous for six NIR plants in the Pennsylvania, Ohio, and Indiana area resulted in savings of approximately $32,700 annually.

(*c*) *Communications—Teletypewriter service.*—Telephone transmittal plus machine confirmation copy by mail or messenger of messages to non-Government offices resulted in an estimated saving of approximately $23,000 annually.

The operations of the teletypewriter system for the fiscal year 1950 effected for the entire Government a potential saving of approximately $777,000. On the basis of first-quarter experience in 1951 it is estimated that the potential savings to the Government will approximate $1,000,000 for the fiscal year 1951.

(*d*) *Space conversion.*—Dormitory and residence space at West Potomac Park, excess to the needs of the Government for housing purposes, was converted to urgently needed office space with an estimated net annual savings, after the first year, of $582,000 over cost of equivalent leased space.

(*e*) *Space allocation.*—

(i) Consolidation of GAO activities in the Old Post Office Building released space to Geological Survey equivalent in value to $8,900 of leased space.

(ii) Activities of SEC and HLBB at 101 and 131 Indiana Avenue were consolidated to provide space for two Senate committees, resulting in a saving of about $14,500 annually, less $4,820 for tenant change and moving costs.

(3) *National Archives and records management*—(*a*) *Records management surveys.*—

(i) The National Capital Housing Authority requested a survey of the Authority's records system which resulted in recommendations for the release of space and equipment equivalent to $11,250.

(ii) Another survey, of the General Services Administration itself, indicates a potential gross savings in space and equipment equivalent to $300,000.

(*b*) *Records consolidation.*—

(i) To test the economy and efficiency of records centers, a pilot GSA records center was established in the New York City area, with net savings estimated at $57,000.

(ii) Termination of leases of HOLC and assumption of records responsibility by GSA records center in Brooklyn resulted in savings of $35,150 for 1951.

(*c*) *Federal Register reprints.*—Agencies have been requested to order reprints of Federal Register documents from standing type rather than have new type set by GPO. Estimated annual savings: $40,400.

(*d*) *Changes in printing processes for Federal laws.*—Annual savings based on Eighty-first Congress, first session, workload are estimated at $41,850.

(4) *Consolidating and refining functions and procedures.*—(*a*) The previously existing payroll sections for FSS, PBS, NARS, Liquidation Service, and Office of Administrator, FWA, integrated into one payroll section in Washington area. Savings by release of 23 employees, gross salary $82,000 annually.

(*b*) Punched-card tabulating sections of PBS—Building Management; PBS—Personnel; PBS—Cost and Reports and Liquidation Service were integrated into one group. This resulted in a personnel savings of 14 employees with annual salary of $49,000, and rental of equipment savings of $29,500 annually.

8. BUDGET AND ACCOUNTING PROCEDURES ACT OF 1950

The General Services Administration is in full accord with the provisions of the Budget and Accounting Procedures Act of 1950. The Administration believes that this act is the most important and progressive piece of budget and accounting legislation passed by the Congress since the Budget and Accounting Act of 1921.

Passage of this act has had no direct effect on the General Services Administration, however, because the Administration organized itself initially in contemplation of its enactment.

The complete report of the General Services Administrator is on file with the committee.)

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HOUSING AND HOME FINANCE AGENCY

DECEMBER 5, 1950.

Hon. JOHN L. MCCLELLAN,
Chairman, Senate Committee on Expenditures in the Executive Departments, United States Senate, Washington, D. C.

DEAR SENATOR MCCLELLAN: We are pleased to furnish the information requested in your letter of October 24, 1950, concerning the action that has been taken by this Agency pursuant to Reorganization Plans Nos. 17, 22, and 23 of 1950, as well as the effects on this Agency of other general legislative actions taken by the Eighty-first Congress.

Of the three reorganization plans transferring functions to the Housing Agency, one was effective in May, and two, in September 1950. I am sure you recognize that, because of the relatively brief period of time during which these activities have been under the jurisdiction of this Agency, we must necessarily address ourselves in large part to improvements and economies which we can now anticipate as a result of the transfers rather than limiting our discussion to those which have already taken place. Nevertheless, we are pleased to be able to say that substantial progress has been made in carrying out the objectives of the plans.

The primary significance of these plans at this point, both as to economy and effectiveness of operations, lies in the fact that they permit the progressive integration of these programs and functions with related activities, with results which will have cumulative effects in terms of improved service to the public and more economical administration.

REORGANIZATION PLAN NO. 17 OF 1950

This plan transferred to the Housing and Home Finance Agency the programs of the General Services Administration relating to the advance planning of non-Federal public works and the management and disposal of certain war public works. Orders were issued on May 24, 1950, effecting the transfer to HHFA of the functions and personnel of the Community Facilities Service, the organization in GSA which had been responsible for the administration of these programs.

Improvements resulting from the transfer

This plan established for the first time a single point in the Federal Government equipped to deal with the problems of local communities on matters affecting housing and related community facilities. The opportunities thus provided for a coordinated approach to localities on problems involving over-all community development are more and more being realized.

The advantages which accrue from the integration of these programs in a single Federal agency have been forcefully illustrated in recent months. A single Federal agency has been in a position to deal with other agencies on defense planning problems involving housing, community development, and local public works. The Housing and Home Finance Agency has been designated by the Secretary of Commerce as the claimant agency for requirements with respect to all housing as well as for most community facilities. There can be little doubt that this coordinated representation during the defense period on all these related matters will be of great benefit both to localities and to the effectiveness of administration by the Federal Government.

In addition to insuring coordination at the policy level of the broad objectives of these related programs, their placement in one agency has, of course, established a closer working relationship at the operating level. It has stimulated discussion of working policies and problems between the Division of Slum Clearance and Urban Redevelopment and the Community Facilities Service with respect to applications and plans for specific projects, with the result that advances for public works are increasingly considered in the light of plans for urban redevelopment generally. Both programs thus contribute more effectively to the common objective of sound development of the community as a whole. In addition, frequent contacts on related problems involving local relationships will contribute to the clarification and coordination of Federal-local relationships on closely related activities.

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Estimate of savings

The Community Facilities Service was transferred intact as an operating division within the Office of the Administrator of the HHFA on the effective date of Reorganization Plan No. 17. The integration of common administrative services for the headquarters of Community Facilities Service with those for other Office of the Administrator programs has permitted fairly substantial savings. It is not easy to isolate the total savings involved because some of the administrative positions retained are absorbing work load for other expanding programs in the Office of the Administrator. However, it has been possible to identify a reduction in personal-service costs of $60,000 per year resulting from this integration. It is anticipated that additional cost reductions will be possible as further consolidation and reorganization of activities is completed.

REORGANIZATION PLAN NO. 22 OF 1950

Reorganization Plan No. 22 transferred the Federal National Mortgage Association from the Reconstruction Finance Corporation to the Housing and Home Finance Administrator. On September 7, the effective date of the plan, action was completed to transfer the association to the HHFA.

Improvements resulting from the transfer

The primary objective of this reorganization plan, recognized by the Hoover Commission in recommending the transfer and by the Congress in its approval, was the closer integration of the Government's secondary mortgage market activities with other Federal housing programs. Under the plan, the FNMA board of directors, under the chairmanship of the Administrator, consists of officials of the Office of the Administrator of the HHFA, the Chairman of the Home Loan Bank Board, and the Federal Housing Administration Commissioner. This arrangement has assured that FNMA operating policies are constantly reviewed in terms of related housing policies and problems.

The operation of the FNMA as an integral part of the housing agency made possible an immediate policy redirection of the program to permit the institution of an intensified sales program, consistent with the desirability of reducing mortgage credit funds in the defense period.

The anticipated increase in mortgage sales resulting from this sales activity, coupled with the decline in mortgage purchases due in large measure to legislative changes recommended by this agency and enacted by the Congress, will permit a substantial reduction in the impact of this program on the Federal budget.

Estimates of savings

The decrease in mortgage purchases and the anticipated increase in mortgage sales explained above are expected to permit repayment of about $400,000,000 in Treasury borrowings by the end of fiscal year 1952.

Prior to the transfer of FNMA, operations were conducted at 31 agency offices, which were responsible for handling other RFC transactions as well as FNMA functions. The distribution of workload following the transfer permitted the consolidation of some of the smaller field offices with other operations. Nine offices were abolished immediately after the transfer. Since that time three additional offices have been consolidated with other offices. It is expected that further consolidations will result in a further reduction to a total of six offices. There has been a reduction in staff of 70 employees since the effective date of the transfer.

As a result of the redirection of the program and the consolidation of offices it is expected that administrative expenses for fiscal year 1951 can be held to approximately $1,000,000 less than the rate of administrative expenditures at the time of the transfer; and that administrative expenses for fiscal year 1952 will be reduced substantially below the 1951 amount.

REORGANIZATION PLAN NO. 23

This plan transferred from the RFC to the Housing and Home Finance Agency the lending functions of the Government with respect to the production and distribution of prefabricated houses and components, consistent with the recommendation of the Hoover Commission that "all housing activities be placed in one agency under a single Administrator." The transfer was effected on September 7, 1950, with the establishment of this function as an operating program in the

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Office of the Administrator, HHFA. Approximately $13,000,000 of uncommitted authorizations were transferred along with the outstanding loans.

Improvements resulting from the transfer

The change in housing policy which has occurred since this plan was conceived has necessarily affected the benefits that might flow from it. It was anticipated that the plan would permit the prefabrication technique to be utilized in conjunction with other housing programs to expand the housing supply. The impact of the mobilization effort has, of course, required a reversal of that objective. It is important, however, that the application of the techniques of prefabrication and site fabrication to military and defense needs be fully explored. To the extent that study indicates that they are especially well adapted to meeting special defense problems, their adaption to this purpose will be facilitated by the fact that they are handled in the agency dealing with both housing and community facilities problems in defense and military areas.

We are presently studying the relationship of this program to FHA programs for insuring loans and mortgages for prefabricated housing under sections 609 and 611 of the National Housing Act. When conclusions are drawn from that study it will be possible to take immediate action to install any desirable improvements.

An important benefit gained from the placement of this program in the housing agency is the availability for this program of the market analysis, financing and distribution, and other skills available in the Division of Housing Research. The use of such skills and experience is putting us in a better position to protect the Government's interest in outstanding loans, as well as to increase the effectiveness of the prefabricated housing industry in the defense effort.

Estimate of savings

The administrative expenses required for this program are comparatively small. Present indications are that it will not be possible to achieve any economies in administrative costs in the foreseeable future.

OTHER LEGISLATIVE ACTIONS

Federal Property and Administrative Services Act

The stimulation and emphasis given by this act to the functions of records management, procurement policies, property controls, etc., should result in improved administration of these activities throughout the Federal Government. Regulations issued to date by the General Services Administrator are essentially sound in concept and application to the Government's housekeeping business. To date, we have not been able to identify any savings resulting from operations under the act; however, it should be recognized that this agency's operations constitute a very minor part of the total activity affected by the act.

Budget and Accounting Procedures Act

Several provisions of this act have definitely contributed to improvements in the mechanics of administering the programs of this Agency. Among these is the waiving of warrants, authorized in section 115 (a) (1), whereunder transfers of appropriations and funds authorized by law may now be accomplished directly in the accounts of the disbursing facilities; reimbursements and refunds (under the same authority) may now be credited directly into the accounts of such facilities; and the repeal of section 607 of the Federal Employee's Pay Act of 1945, as amended, having to do with personnel ceilings.

The first two examples, resulting from waiving the "warrants" requirements, operate to speed up considerably the availability for disbursement of funds legally available for the purposes intended, by obviating the need for their deposit into "Treasury cash," and the issue in the Treasury of covering, transfer, and pay warrants, each of which had to be individually countersigned by or for the Comptroller General. The repeal of the personnel ceilings provision has made available for normal administrative functions much time on the part of administrative personnel hitherto devoted to the quarterly examination of personnel requirements and the general administration of the "ceiling" concept.

Other sections of the act, when activated, should further contribute to an improvement in administrative processes.

Sincerely yours,

RAYMOND M. FOLEY, *Administrator.*

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DEPARTMENT OF THE INTERIOR

DECEMBER 4, 1950.

Hon. JOHN L. MCCLELLAN,
United States Senate, Washington 25, D. C.

MY DEAR SENATOR MCCLELLAN: I submit the attached report for the Department of the Interior requested in your letter of October 24, 1950, concerning administrative action taken in connection with reorganization plans. You will note that this report deals not only with action under specific reorganization plans directly affecting the Department of the Interior, it also includes, in accordance with your request, administrative action taken under general reorganization legislation.

In summary, I wish to affirm my intention to do all things possible to take advantage of the impetus to improvement of the conduct of the Department's business resulting from the Hoover Commission reports, work of your committee, and congressional action. I believe we have made substantial progress in this direction. However, implementation of many recommendations, and exercise of new authorities obtained by reorganization plans require a great deal of detailed study and planning before action can be taken. Further, many of the benefits from these efforts are intangible and are not measurable in monetary forms. Consequently, accomplishments are often difficult to appraise and report on. Nevertheless, very real benefits have been and are being achieved.

Sincerely yours,

VERNON D. NORTHROP,
Assistant Secretary of the Interior.

REPORT ON REORGANIZATION ACTION IN THE DEPARTMENT OF THE INTERIOR FOR THE SENATE COMMITTEE ON EXPENDITURES IN THE EXECUTIVE DEPARTMENTS

1 Action under specific reorganization plans

(*a*) *Reorganization Plan No. 3.*—Reorganization Plan No. 3 of 1950 made possible the reorganization of the Secretary's office along major purpose lines so as to permit more effective integration of the management of the Department, and to relieve the Secretary of an overwhelming supervisory load. Among other things, the plan raised from two to three the number of Assistant Secretaries and authorized an Administrative Assistant Secretary. Under this authority the Secretary, in July 1950, designated three program Assistant Secretaries. The natural resource management task of the Department was considered to be divisible into three major purposes. Therefore, the Secretary designated an Assistant Secretary for Public Land Management, an Assistant Secretary for Water and Power, and an Assistant Secretary for Mineral Resources. The bureau and offices primarily engaged in these activities were assigned to these Assistant Secretaries for supervision and management. The program Assistant Secretaries were given authority by the Secretary to supervise and direct the activities in their respective areas.

In keeping with this concept proper staff facilities were provided in each of these program areas to make it possible for the Assistant Secretaries to fulfill their responsibilities. These staff facilities consist of a Water and Power Division, a Mineral Resources Division, and a Land Utilization Division, each responsible to the appropriate Assistant Secretary and encompassing all of the staff facilities required by that Assistant Secretary to permit him to insure adequate program development, establishment of policies, and supervision of program execution for his area. At the same time, the previously existing staff facilities were incorporated in these new divisions so as to permit a balanced approach.

Under Reorganization Plan No. 3 an Administrative Assistant Secretary was appointed. The purpose of this move was to permit integrated direction of the administrative management activities of the Department and to strengthen and balance the staff facilities in this area. The result has been the establishment of five divisions within the administrative management area at the secretarial level under the Administrative Assistant Secretary. These five divisions are Budget and Finance, Property Management, Personnel Management, Management Research, and Administrative Services. This last Division incorporates operating administrative functions for the Secretary's office permitting the remaining four divisions to operate as staff areas in their respective fields, and thus assure proper secretarial attention in this area throughout the Department.

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The Secretary needs to assure himself of the development and integration of a total natural resource program. This responsibility was assigned to the program staff with the assistance of the field committees. As a result of these actions the program development and management load of the Department falls largely on the three program Assistant Secretaries and the Administrative Assistant Secretary. The Secretary is thus left free for major policies and over-all guidance. Additionally, through the facility of the field committees and the program staff working with the Assistant Secretaries, he is able to assure interarea coordination on program development and the establishment of departmental objectives and goals. Thus, there exists a relatively small key staff to advise the Secretary on major policy problems. At the same time, it is this same staff which is responsible for execution and management of the decisions made by the Secretary.

A further result made possible by Reorganization Plan No. 3 relates to the authority of the Secretary. Certain statutes enacted in early years conferred authority for exercising certain functions on the heads of some of the bureaus of the Department, subject to general supervision by the Secretary. Reorganization Plan No. 3 transferred all authority thus conferred to the Secretary of the Interior. At the time plan No. 3 became law the Secretary issued order No. 2563 delegating all authority thus transferred, until further notice, to officials of the Department having such authority before plan No. 3 became law. The effect of this provision of the plan is important, however, in terms of clearly centralizing in the Secretary all authority for the direction and management of the activities of the Department, with some minor exceptions. Thus, the means are provided for more effective integration and secretarial control than had been previously. Furthermore, the plan permits the Secretary to delegate any authority to any official so that the Secretary now has the tools needed to insure effective management.

None of these actions resulted in specific monetary savings, but they have already contributed measurably to increased effectiveness in operation and management of an integrated Department.

(b) *Reorganization Plan No. 15.*—Reorganization Plan No. 15 of 1950 provides for the transfer of two public works programs from the General Services Administration to the Department of the Interior. One of these programs provides for the construction of public works in the municipalities of St. Thomas and St. John and St. Croix, Virgin Islands. The other provides for the construction of public works in the Territory of Alaska. In view of the location of the programs, jurisdiction over them was placed by the Secretary in the Office of the Territories of the Department of the Interior. The employees of the General Services Administration in Washington were transferred to the Department of the Interior, and have been provided with offices in the Department of the Interior Office Building. They have been set up as a unit of the Office of Territories, working under the administrative supervision of the Assistant Director of that Office. In the administration of the program they work closely with those employees of the Office of Territories who handle the general affairs of Alaska and the Virgin Islands.

The employees of the offices of the district engineers in the Virgin Islands and Alaska were also transferred to the Department of the Interior under Reorganization Plan No. 15. Except for a change in the lines of responsibility from the district offices to the Interior Department there has been very little change in the set-up or personnel in these offices.

There has not as yet been substantial change in the operation of the public-works programs. Extensive studies of operation have been made and plans are under way for considerable readjustment in the Alaska office. The program in the Virgin Islands has been under way for 5 years and should be completed within the next year or two if appropriations are made for the remainder of the authorized work. In view of this fact, and because that program has been operating satisfactorily, it is not considered necessary to make any change in the program or operations.

The fact that these programs have been transferred to the Department of the Interior will not result in any appreciable monetary savings. It was not anticipated that there would be visible savings merely through this act. Rather the objective was to effect a more logical organizational arrangement through placing responsibility for the programs in the Department primarily concerned with the areas involved. As a result, more effective integration of the total program for these areas has been achieved.

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(c) *Advance planning of public works.*—Prior to the effective date of Reorganization Plan No. 15 the Alaska district office of the General Services Administration was charged with the operation of both the advance planning program and the Alaska public works program. After the transfer, the General Services Administration had no Alaska office. Obviously it would have been uneconomical for General Services Administration to set up a new office. The Department of the Interior was, therefore, requested to handle the advance planning program in Alaska for the General Services Administration, and this is being done on a reimbursable basis. The fact that the two programs are being handled in the same office permits the advance planning of desirable projects for which it would be impracticable to allot construction funds from the public works program because of the lack of preliminary data or because they could not be scheduled for construction during the current fiscal year. This union of the two offices has been very satisfactory from the point of view of both programs. The foregoing is the only activity of the Department directly affected by Public Law 352, advance planning of non-Federal works.

2. *Action under general reorganization legislation*

(a) *Employee incentives program.*—A secretarial order has been prepared and will be issued shortly providing for comprehensive organization and procedures for enlisting employee participation in management improvement through a system of incentive awards. These awards are made possible through title X of the Classification Act of 1949 and earlier legislation. It is anticipated that more effective action to improve the management will result from this program.

(b) *Budget and accounting.*—The Budget and Accounting Act of 1950, Public Law 784, Eighty-first Congress, directed substantial changes to improve Federal practice in this field. The act is under study currently by the Department. The policy of the Congress, as defined in the act, under title I, is to establish a long-range program for improving budgeting, accounting and financial reporting in the Government and since the act was approved but a short time ago (September 12 1950), sufficient time has not elapsed for a progress report to be made with respect to accomplishments thereunder. The Department will give full consideration to the various provisions of the act in conjunction with the continuous program of the Comptroller General of the United States, the Secretary of the Treasury, and the Director of the Bureau of the Budget.

It can be stated, however, that prior to the enactment of the Budget and Accounting Procedures Act of 1950, the following had been accomplished by the Department; such accomplishments being in conformance with certain of the provisions of the act:

1. The appropriation structure for the fiscal year 1950 was completely revised. A definite pattern of appropriations under specific categories and activities was established resulting in the reduction in the number of appropriation items from 107 to 42, and the elimination of much superfluous appropriation text.

2. Allotment accounts were established for the bureaus and offices to insure an integration of the 1951 appropriaiton structure with the accounts.

3. A financial reporting system has been devised to establish departmental control over allocations, apportionments, and obligations below the level of appropriations to insure that funds are used according to the purposes for which they were authorized by the Congress.

Hence, the act will have less effect on the Department than in other agencies which had not taken these steps in advance of the legislation.

(c) *Property management (Federal Property and Administrative Services Act of 1949).*—Issuance of Secretarial Order 2546 and amendments 1, 2, and 3, thereto, provided for the establishment of the Division of Property Management, charged with responsibility for the development of an effective program for property management and procurement throughout the Department including all necessary related activities, and development and administration of an effective records-management program throughout the Department, including all related activities. With this facility it has been possible to effect the specifics and intent of the Federal Property and Administrative Services Act in the following ways:

1. All circulars and regulations issued by the General Services Administration have been promulgated throughout the bureaus and offices of the Department including in such promulgation the establishment of standards, policies, and programs designed to assure more efficient and economical procurement and

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management of supplies, equipment and other property required in the execution of the operational progress of the Department.

2. Special delegations of authority have been obtained from the Administrator of General Services in order to enable the bureaus and offices of the Department to carry out more effectively their program activities. The methods and procedures are being brought gradually into a standard pattern of operation throughout the bureaus and offices of the Department. The delegations of authority received from the General Services Administrator have enabled faster and more efficient handling in the disposal of properties found to be excess to the needs of the Department in accordance with existing screening requirements. An examination of lists of surplus property made available through the facilities of the General Services Administration have enabled greater over-all property utilization in that items of property excess to the needs of other Government departments have been obtained for use in this Department rather than purchasing new items.

3. Inventory controls have been established in those bureaus and offices that heretofore had not carried on such an activity in connection with their operations. An active program has been initiated and is producing results to reduce the number of small purchases. The inventory controls established permit better utilization of space and equipment in that less stock on hand is necessary and provides for closer control and analysis of items carried in stock.

4. In regard to the records management program an instruction has been issued requesting the various bureaus and offices of the Department to review their files for the purpose of segregating those inactive files that may be transferred out of the Department of the Interior Building to the Federal Records Center in Alexandria, Va. Also an order has been prepared and early issuance is anticipated initiating standards and policies to be followed in setting up records management programs in each of the bureaus and offices of the Department. Implementing the provisions of the directive and secretarial order regarding records management and this action will result not only in the release of both filing equipment and floor space but will free necessary items which are in great demand in view of the emergency situation.

5. Supplies previously requisitioned in Washington and then transported to field stations are now and have been since July 1, 1950, requisitioned from the respective General Services Administration regional office in whose territory the field activity of this Department is located. One bureau of the Department has turned practically all ordering and purchasing activities over to the General Services Administration in order to obtain better prices of the commodities being purchased.

6. Substantial economies are also expected to accrue on a continuing basis through—

(a) Establishment of controls on the creation of records through forms, reports and correspondence management techniques designed to insure among other things, that only needed forms, reports and correspondence are prepared and, in addition, placing limitations under the number of copies prepared and/or filed.

(b) Improvement of filing systems, where applicable, designed to render expedited reference service without the encumbrance of additional manpower.

(c) Improvement of mail-room procedures, where applicable, designed to expedite processing of mail.

(d) Economical usage of microfilming, where applicable, designed to effect floor space and filing equipment savings.

(e) Establishment of controls to insure systematic and continuous disposal of inactive records.

3. General comments

Many other actions are contemplated to improve management within the Department as a result of reorganization plans and general organization legislation. As these actions are taken they will be reported in future submissions.

Additionally, within the past year many improvement actions have been taken which did not require organization plans or general legislation to effectuate. These actions are not included in this report since the data requested related only to action under reorganization plans or legislation. The Department is making every effort to improve its organization and its practices and to assure effective administration of its natural resources program.

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DEPARTMENT OF JUSTICE

DECEMBER 11, 1950.

Hon. JOHN L. MCCLELLAN,
Chairman, Committee on Expenditures in the Executive Departments, United States Senate, Washington, D. C.

MY DEAR SENATOR: This is in response to your request for a report from the Department of Justice on the extent to which Reorganization Plan No. 2 has been put into effect and the results thereof.

Reorganization Plan No. 2 of 1950, which became effective May 23, 1950, transferred to the Attorney General, with certain exceptions, the functions of all officers, agencies, and employees of the Department of Justice. The functions excepted from the over-all transfer consisted of the functions of the Federal Prison Industries, Inc., of the Board of Directors of the Federal Prison Industries, Inc., of the Board of Parole, and of the hearing examiners employed by the Department of Justice under the Administrative Procedure Act. The plan effects certain other changes hereinafter discussed.

The following is submitted in connected with the specific topics concerning which you requested complete information.

(*a*) *Steps which have been taken to carry out the plan.*—To implement the plan, the Attorney General authorized the performance of the functions transferred to him by the delegation to appropriate officers of the Department of Justice. This delegation was accomplished by supplements 42 and 44 to Departmental Order No. 3732, dated respectively May 24 and June 6, 1950. In accordance with the provisions of the plan, which in addition to the above-described changes, (1) changed the title of the Assistant to the Attorney General to Deputy Attorney General; (2) provided an additional Assistant Attorney General to supplant the Assistant Solicitor General, which office was abolished, and (3) created an Administrative Assistant Attorney General, the departmental orders directed appropriate delegations. Further changes will undoubtedly be made within the Department on assignments of personnel and duties as occasion requires.

(*b*) *Administrative deficiencies eliminated or improvements which have been made in the organization and management of the Department.*—The plan has had the desired effect of clarifying the authority of the Attorney General with respect to a limited number of departmental functions for which authority was placed elsewhere in the statutes. This was true particularly of statutes which placed responsibilities in the Commission of Immigration and Naturalization (see e. g., 8 U. S. C. 727 ff.). Similarly, the Assistant Attorney General in charge of customs matters was charged by name with the performance of certain statutory duties (5 U. S. C. 296).

(*c*) *Estimates of savings that may have been realized or that may be expected as a result of such actions relative to this plan.*—Plan No. 2 was not intended as an economy measure and no substantial immediate steps were contemplated as a result of changes which it authorized. It is likely, however, that improved operations resulting from the effect of sections 1 through 5 of the plan and from the incidental transfers which the Attorney General is authorized to effect from time to time by section 6 of the plan, will be the means by which Departmental economies will eventually be effected. It is too early to comment in detail on those aspects of the plan.

The Budget and Accounting Procedures Act of 1950 and certain of the other acts provide substantive law for practices that had been growing up as a result of experience or as may have been suggested by and adopted from the Hoover Commission reports and recommendations. The performance budget principles have been used in establishing the budget for the fiscal year 1951 under which we are now operating.

The Department has not as yet had sufficient experience to evaluate the results of the amendments made by the Federal Property and Administrative Services Act. The changes in practices and procedures by the latter act as well as others enacted during the second session of the Eighty-first Congress are evolved gradually and it is extremely difficult to make a comparison of the work today with that of yesterday. For this reason it is not possible to state specifically the precise results flowing from the changes and what savings have been accomplished. The process is one of growth and development as experience dictates.

Yours sincerely,

PEYTON FORD,
Deputy Attorney General.

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DEPARTMENT OF LABOR

DECEMBER 11, 1950.

HON. JOHN L. MCCLELLAN,
Chairman, Committee on Expenditures in the Executive Departments,
United States Senate, Washington 25, D. C.

DEAR SENATOR MCCLELLAN: This is in reply to your letter of October 24, 1950, in which you request certain information with respect to the actions taken to effectuate reorganization plans affecting the Department of Labor. Your letter also requests information as to how the Federal Property and Administrative Services Act of 1949 and the Budget and Accounting Procedures Act of 1950 have affected this Department.

As was stated in my testimony before your committee regarding the various reorganization plans affecting the Department of Labor, it was not the purpose of these plans to effect monetary savings which could be immediately identifiable. Rather, it was the purpose of these plans to centralize within the Department of Labor functions pertaining to labor which previously had been scattered throughout the executive branch and by such centralization to achieve increased efficiency in the performance of these functions. All of the agencies transferred by these plans have now been assimilated into the departmental organization and their general management services, such as personnel, space control, legal services, etc., have been integrated with these services in the Department. The centralization in the Department of Labor of the functions transferred by these plans has, in my opinion, achieved the purpose of more efficient performance. In accordance with your request, the following information is submitted.

I. REORGANIZATION PLAN NO. 2 OF 1949, TRANSFERRING THE BUREAU OF EMPLOYMENT SECURITY TO THE DEPARTMENT OF LABOR

The duties and functions transferred to the Secretary of Labor under plan No. 2 of 1949 were, in large part, delegated to the Director of the Bureau of Employment Security by Department of Labor General Order No. 44, of October 19, 1949, a copy of which is enclosed.

The transfer of the Bureau of Employment Security to the Department of Labor has made it possible to set up close, direct, working relationships with the other bureaus of the Department which have a vital concern in various aspects of the manpower program. These relationships are of particular advantage in meeting the defense manpower requirements created by the present international situation.

Reorganization Plan No. 2 abolished the Veterans' Placement Service Board, which had consisted of the Director of the Selective Service System, the Administrator of Veterans' Affairs, and the Administrator of the Federal Security Agency, and transferred the policy determination and administrative functions of that Board to the Secretary of Labor. This change has resulted in greater administrative efficiency through the ability to obtain quicker consideration of Veterans' Employment Service problems than was possible with the Board, whose members were relatively unavailable because of the heavy pressure of their other duties. A further advantage accrues through the fact that the Secretary of Labor is also administratively responsible for the whole employment security program, and has a direct operating interest in the field of employment.

II. PLAN NO. 6 OF 1950, REORGANIZATION OF THE DEPARTMENT OF LABOR

The principal effect of this plan was to vest in the Secretary certain functions under the Fair Labor Standards Act, as amended, which hitherto has been by statute vested in the Wage and Hour Administrator. The plan also clarified the authority of the Secretary with respect to certain functions performed by the Bureau of Labor Statistics and the Women's Bureau. Provision was made for the performance of the functions vested in the Secretary by plan No. 6 by Departmental General Order No. 45 A, in the case of the Fair Labor Standards Act, by General Order No. 45 B, in the case of functions hitherto vested in the Commissioner or Bureau of Labor Statistics, and by General Order No. 45 C, in the case of functions hitherto vested in the Women's Bureau. Copies of these general orders are enclosed.

The administrative deficiencies which have been eliminated and the improvements which have been made are those which were urged as reasons for approval of the plan, namely, that good and effective organization of an executive depart-

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ment required that the head of the department be in complete control of all of the activities of the department, and that officials and employees of the department should not exercise power outside of the general direction and control of the head of the department.

III. PLAN NO. 14 OF 1950, COORDINATING THE ADMINISTRATION OF LABOR STANDARDS

Pursuant to this plan, the Department has drafted regulations setting forth the standards and procedures to be observed by the various agencies in the enforcement of the labor standards provisions of the laws listed in the plan. These regulations, which are at present in tentative form, have been circulated among the various agencies for their review and comment and conferences have been held with a number of these agencies for the purpose of discussing the regulations and their comments. All comments and suggestions made by the various agencies have been carefully considered and some changes have been made in the regulations upon the basis of them. A final draft of these regulations is now in preparation.

The Department, since the effective date of this plan, has conducted investigations of 150 construction projects to determine the steps which are being taken by the Federal agencies to obtain compliance with labor standards. On a large majority of these projects violations, ranging from minor to flagrant, were found.

IV. PLAN NO. 19 OF 1950, TRANSFERRING EMPLOYEES' COMPENSATION FUNCTIONS TO THE DEPARTMENT OF LABOR

The functions transferred to the Secretary of Labor by this plan were, for the most part, delegated to the Director of the Bureau of Employees' Compensation and the Employees' Compensation Appeals Board by General Order No. 46, a copy of which is enclosed.

One of the major advantages advanced in support of the plan was the integration of the accident prevention programs authorized by the Federal workmen's compensation laws with other safety programs under the Department of Labor. Such integration was necessary in the interest of good administration since it makes possible maximum utilization of the facilities of the Department of Labor dealing with the problem of accident prevention on a Nation-wide scale. This has been accomplished.

Pursuant to General Order 46, amendment No. 1, dated September 6, 1950, a copy of which is enclosed, safety promotional activities formerly carried on by the Bureau of Employees' Compensation have been transferred to the Bureau of Labor Standards of the Department. The latter for some years has been engaged in carrying out the Department's program in developing and promoting safety standards for industry. It is expected that this change will result in greater promotional activity to prevent injuries and to eliminate industrial work hazards in the Federal service and in the other employments covered by the Federal compensation laws. This in turn should result in a greater conservation of needed manpower and ultimate savings to the Government. As a part of the management improvement program, further studies are in progress for improving administrative efficiency and service in administration of the compensation laws.

V. EFFECT UPON DEPARTMENT OF LABOR OF THE FEDERAL PROPERTY AND ADMINISTRATIVE SERVICES ACT OF 1949, AS AMENDED, AND THE BUDGET AND ACCOUNTING PROCEDURES ACT OF 1950

These two acts are measures for better internal administrative procedures. To a large extent these procedures had been adopted by this Department prior to the enactment of these laws. The two acts, therefore, have had little or no effect upon the Department of Labor.

I trust that the above information will be helpful to you in the preparation of your report to the Senate.

Yours very truly,

MAURICE J. TOBIN,
Secretary of Labor.

Enclosures referred to in Secretary Tobin's letter have been made a part of the committee's files.)

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NATIONAL ADVISORY COMMITTEE FOR AERONAUTICS,
November 28, 1950.

Senator JOHN L. MCCLELLAN,
Chairman, Committee on Expenditures in the Executive Departments,
United States Senate, Washington, D. C.

DEAR SENATOR MCCLELLAN: In the absence of Dr. Hunsaker, I am pleased to submit the attached report concerning basic legislation enacted during the Eighty-first Congress affecting the National Advisory Committee for Aeronautics as requested in your letter of October 26, 1950.

Very truly yours,

NATIONAL ADVISORY COMMITTEE FOR AERONAUTICS,
J. F. VICTORY, *Executive Secreary.*

REPORT ON BASIC LEGISLATION ENACTED DURING THE EIGHTY-FIRST CONGRESS AFFECTING THE NACA

PUBLIC LAW NO. 167. TO AMEND THE ACT OF AUGUST 1, 1947, AS AMENDED, TO AUTHORIZE THE CREATION OF 10 PROFESSIONAL AND SCIENTIFIC POSITIONS IN THE HEADQUARTERS AND RESEARCH STATIONS OF THE NATIONAL ADVISORY COMMITTEE FOR AERONAUTICS

A. Steps which have been taken to carry out Public Law 167

At the end of calendar year 1949, 5 positions of the 10 authorized had been established. These were reported to the Senate and the House of Representatives on December 21, 1949, in accordance with the provisions of the act. During calendar year 1950, the remainder of the 10 have been established and filled.

B. Administrative deficiencies eliminated or improvements which have been made in the organization and management of NACA

This act has enabled the NACA to improve its organization and managerial activities by establishing a top-pay structure more in balance with existing compensation in industry and other governmental agencies. The enactment of this legislation has somewhat diminished competition with the Department of Defense, which previously had authority for 45 such positions when the NACA had none. The authorization by Congress of 10 such positions for the NACA, although inadequate, has caused a marked increase in morale of our professional staff at all levels. It has also improved recruiting relationships with educational institutions because graduates may aspire to higher pay levels more in keeping with industrial rates.

C. Estimates of savings that may have been realized or that may be expected as a result of Public Law 167

The savings that are being realized are indirect and immeasurable in terms of dollars, but are reflected in improved efficiency, teamwork, and morale.

PUBLIC LAW NO. 472. TO PROMOTE THE NATIONAL DEFENSE AND TO CONTRIBUTE TO MORE EFFECTIVE AERONAUTICAL RESEARCH BY AUTHORIZING PROFESSIONAL PERSONNEL OF THE NATIONAL ADVISORY COMMITTEE FOR AERONAUTICS TO ATTEND ACCREDITED GRADUATE SCHOOLS FOR RESEARCH AND STUDY

A. Steps which have been taken to carry out Public Law 472

The NACA on June 27, 1950, began granting graduate study leave to employees with emphasis on study for those entering new areas of research. Individual young scientists are being sent to take special course work and to perform research at the graduate level in such areas as new instrumentation work, solid states physics, specialized advanced mathematical fields, and other new areas of research and knowledge. This law has enabled the NACA to give advanced selected training to our research scientists and has provided our scientists opportunities to perform research for short periods under leading scientists in universities who are specialists in advanced science fields. By carefully controlling the graduate course work and research, the NACA is assured of the direct applicability of the course of study to the research field in which the employee works at the NACA.

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B. Administrative deficiencies eliminated or improvements which have been made in the organization and management of NACA

This law will greatly increase the effectiveness of our scientific personnel. Not only is it possible under this law to provide training which the NACA could not give internally, but it enables NACA research personnel to work and study with outside scientists who are leaders in their fields. The law has a beneficial effect on the recruitment and retention of scientific personnel, as the individuals with the best scientific minds are desirous of the opportunity for such advanced training and are attracted to an organization where such opportunity exists.

C. Estimates of savings that may have been realized or that may be expected as a result of Public Law 472

This law enables the NACA to provide for training and research at universities which would be very costly, if not impossible, to provide within the organization. The employee pays his own tuition, living expenses, and travel, and it costs the NACA only the employee's salary. The equivalent in training within the NACA, if it were possible, would cost the man's salary, and the time and expense of high-level scientists used to conduct this advanced training.

There can be no doubt that this advanced training will increase the effectiveness of our scientists in performing research at the frontiers of knowledge in the aeronautical sciences, and in turn enhance and make more productive the parallel investments in scientific equipment.

PUBLIC LAW NO. 674. TO PROMOTE THE NATIONAL DEFENSE BY AUTHORIZING SPECIFICALLY CERTAIN FUNCTIONS OF THE NATIONAL ADVISORY COMMITTEE FOR AERONAUTICS NECESSARY TO THE EFFECTIVE PROSECUTION OF AERONAUTICAL RESEARCH, AND FOR OTHER PURPOSES

Public Law 672 (1) writes into substantive law certain functions heretofore exercised by the National Advisory Committee for Aeronautics under authority of language contained in various appropriation acts; (2) establishes a procedure requiring in the future legislative authorization for new construction; and (3) specifically authorizes a current appropriation of $16,500,000 for construction at existing laboratories and research stations of the NACA.

A. Steps which have been taken to carry out Public Law 672

(1) Appropriation language has been simplified because certain functions are now authorized by substantive law.

(2) Legislative authorization will be requested for all future construction programs.

(3) The Committee is proceeding with the construction of new facilities at existing laboratories in the amount of $11,500,000, as provided in the General Appropriation Act, 1951, pursuant to the authorization contained in Public Law 672.

B. Administrative deficiencies eliminated or improvements which have been made in the organization and management of NACA

This legislation makes NACA estimates for new construction subject to the customary procedure in the Congress, requiring legislative authorization in advance of appropriations.

C. Estimates of savings that may have been realized or that may be expected as a result of Public Law 672

No savings of either time or money are accomplished, or intended by this legislation, but opportunity for review and consideration by legislative committees concerned is assured, in keeping with long-established procedures in the Congress.

PUBLIC LAWS NOS. 152 AND 754, THE FEDERAL PROPERTY AND ADMINISTRATIVE SERVICES ACT OF 1949, AND AMENDMENTS THERETO

The Federal Property and Administrative Services Act of 1949 (Public Law 152, approved June 30, 1949, as amended by Public Law 754, approved September 5, 1950) provides the legislative framework for the establishment of an efficient and economical system for property and records management in the Federal Government. Central responsibility for leadership in this area is vested by the act in the Administrator, General Services Administration. Since the passage of the act, policy statements and regulations have been issued by

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the Administrator to executive agencies in the fields of procurement, property utilization, and disposal of surpluses. The regulations issued thus far have been comprehensive and satisfactory for the needs of the NACA. The standards and policies established and promulgated by the Administrator have provided a guide for the NACA in ascertaining whether its operations in the field of property and records management are efficient and economical as well as consistent with established Government policies.

In general, the act has provided the central direction and policy control of property and records management long needed in the executive branch, and it is believed that substantial economics and greater efficiency in operations will result.

The following are some of the current efforts being made by the NACA in implementing the policies and regulations prescribed by the Administrator, General Services Administration:

Procurement and property management

1. *Planned requisitioning on GSA supply centers.*—In accordance with GSA Federal Supply Service Circular No. 1, the procurement offices of the NACA are constantly endeavoring to improve their ordering practices by consolidating requirements for items obtainable from Federal supply centers in order to reduce the number of small orders. Periodic requisitioning dates have been established for certain commodities at one of the major installations of the NACA (Lewis Laboratory) as part of the program to plan and schedule requirements for supplies. NACA efforts in this area on an agency-wide basis are continuing through liaison between the methods and procedure officers and the procurement officers at both headquarters and field levels.

2. *Inventory control and property accountability.*—A new stock-control system has been established at NACA headquarters. During the 6 months that it has been in operation, overstocking of certain items has been revealed, and steps have been taken to utilize these excesses by transfers to other NACA installations and by declaration to Federal Supply Service for transfer to other Government agencies. The inventory-control systems in use at the NACA laboratories are now being continuously examined to determine whether inadequacies exist and to correct these deficiencies. The general standards for inventory levels promulgated by the general service management regulation No. 2 have been made known to all NACA activities with a view toward progressively reducing present inventories to conform to these objective levels.

3. *Equipment replacement standards.*—Replacement standards for equipment such as typewriters, filing equipment, and motor vehicles are being complied with. Proposed purchases of new equipment in these categories are being carefully screened at central management level to curtail purchases to the absolute minimum.

4. *Property utilization and disposal.*—Procedures implementing GSA personal property regulation No. 3 dealing with personal property utilization and disposal have been issued to all NACA activities. Instructions have been issued requiring (1) the continuous survey of property under NACA control to determine which is excess to the needs of the agency, (2) to report promptly such property to General Services Administration for transfer to other agencies, and (3) to obtain excess property from other Federal agencies to fill NACA material requirements wherever possible.

PUBLIC LAW NO. 784, THE BUDGET AND ACCOUNTING PROCEDURES ACT OF 1950

The Budget and Accounting Procedures Act of 1950 provides the framework within which it will be possible to develop a budget and accounting program responsive to the needs of the NACA. The spirit and intent of the act appear to be that budget and accounting procedures should be developed within the agency, and primarily to serve the needs of the agency. It is felt that this represents a marked change in the philosophy which has heretofore prevailed and that it will result in a considerable streamlining of the present unwieldy budget and accounting procedures. The act became law September 12, 1950. It is felt that considerable work must be done both within the agencies and by the Bureau of the Budget, the Treasury, and the General Accounting Office before the benefits of the act are fully developed. The NACA has already begun work on the internal audit programs required by the act and is making a comprehensive review and reevaluation of its present accounting procedures. The NACA recognizes the desirability of the commercial-type audit called for by the

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act and is considering the needs of General Accounting Office auditors in connection with such an audit in making changes in its present fiscal procedures. It appears that the joint action of the Bureau of the Budget, the Treasury, and the General Accounting Office, as expressed through Accounting Systems Division memorandums and Treasury Department-General Accounting Office joint regulations, gives evidence of the understanding of those agencies of the need for detailed and practical assistance to governmental agencies in carrying out the purposes of the act. It is felt that the memorandums and regulations issued so far have made a real contribution toward simplifying and streamlining agency fiscal procedures.

NATIONAL SECURITY RESOURCES BOARD

NOVEMBER 21, 1950.

Hon. JOHN L. MCCLELLAN,
Chairman, Committee on Expenditures in the Executive Departments,
United States Senate, Washington, D. C.

DEAR SENATOR MCCLELLAN: This is in further reply to your letter of October 24 requesting that the Resources Board submit to the Committee on Expenditures in the Executive Departments a report as to the actions that have been taken to implement Reorganization Plans No. 4 of 1949 and No. 25 of 1950.

The attached report is submitted in accordance with your request. If we can be of further service in this matter, please feel free to call upon us.

Sincerely,

W. STUART SYMINGTON.

REPORT OF THE NATIONAL SECURITY RESOURCES BOARD TO THE SENATE COMMITTEE ON EXPENDITURES IN THE EXECUTIVE DEPARTMENTS AS TO THE ACTIONS TAKEN TO IMPLEMENT REORGANIZATION PLANS NO. 4 OF 1949 AND NO. 25 OF 1950

I. Steps which have been taken to carry out Reorganization Plans No. 4 of 1949 and No. 25 of 1950

1. Plan No. 4 of 1949, which transferred the Resources Board to the Executive Office of the President, required no implementing steps in addition to the legislation.

2. Plan No. 25 of 1950, which transferred the functions of the Resources Board to the Chairman of the Board and provided for a vice chairman, required only the appointment and confirmation of a vice chairman as an implementing step. The nomination of Mr. Robert J. Smith as vice chairman was made by the President on July 20, 1950. Mr. Smith was confirmed by the Senate on August 4 and took the oath of office on August 14, 1950.

II The administrative deficiencies eliminated or improvements which have been made in the organization and management of the Resources Board

1. Reorganization Plan No. 4 of 1949 has strengthened the staff facilities of the Executive Office of the President by giving legal status to the close working relationships which must exist between the Resources Board, Bureau of the Budget, Council of Economic Advisers, National Security Council, and the White House staff. Since approval of Reorganization Plan No. 4 of 1949, several administrative steps have been taken to improve these relationships. The most important of these steps are as follows:

1) The use of Executive Office committees on matters of common interest;

2) The strengthening of the Resources Board's staff responsible for working on National Security Council matters;

3) The participation of Resources Board staff members as observers at Bureau of the Budget hearings on the appropriation estimates for major security programs;

4) The participation of the Bureau of the Budget and the Council of Economic Advisers in meetings of the Interagency Controls Coordinating Committee (a committee composed of those agencies with control authority under the Defense Production Act of 1950).

2. Reorganization Plan No. 25 has overcome many of the difficulties of board-type operation by clearly placing responsibility for advising the President on mobilization plans and readiness measures in one official, the Chairman. This plan has, at the same time, preserved the Board as a useful arrangement for obtaining the necessary participation of the departments in the coordination of

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mobilization policies and programs. Thus the plan preserves the intent of the National Security Act of 1947.

The authorization of a Vice Chairman has provided for a depth of top leadership that is necessary to carry out the heavy responsibilities and ensuing workload that falls on the Chairman. Authorization of a Vice Chairman has also provided an additional means of achieving a better coordination of the efforts of the staff with those of other agencies on a day-to-day basis.

3. The implementation of other recommendations of the Hoover Commission not directly related to Reorganization Plans No. 4 and No. 25 are covered in exhibit A, Summary of Actions Taken by the Resources Board Within the Scope of Hoover Commission Recommendations. This report was prepared at the request of the Citizens Committee for the Hoover Report.

III. Estimates of savings that have been realized or that may be expected as a result of actions relative to Reorganization Plans No. 4 of 1949 and No. 25 of 1950

1. Due to the nature of the reorganization plans affecting the Resources Board and the limited size of the Board's staff, it is not possible to estimate the savings that have been realized or that may be expected from Reorganization Plans No. 4 and No. 25. This was pointed out by the President in his messages to the Congress on these reorganization plans.

In spite of the difficulty of identifying savings, the importance of Reorganization Plans No. 4 and No. 25 should not be minimized. These plans have so strengthened the Resources Board that it has been able to assume heavy additional responsibilities under the Defense Production Act of 1950 with only small increases in staff.

IV. How other legislative actions have increased efficiency or affected the work of the Board

1. *Federal Property and Administrative Services Act of 1949 and amendments thereto.*—(1) Actual or potential benefits of this act include—

(*a*) Strengthening of records administration. This is of assistance to the Resources Board in its mobilization planning work.

(*b*) Some reduction of paper work in procurement activity due to lifting the open-market purchase limitation from $100 to $500.

2. *Budget and Accounting Procedures Act of 1950.*—(1) Since this act is primarily directed to the fiscal management agencies (Bureau of the Budget, Treasury, General Accounting Office) it has had little direct effect on the Resources Board. The one direct change that has occurred in the operations of the Resources Board as a result of the act is the elimination of quarterly personnel ceiling requests to the Bureau of the Budget. Due to the small size of the Board's staff, elimination of this activity in terms of savings has been negligible.

3. *Impact of other reorganization plans.*—(1) The clarification and simplification of the structure of the executive branch achieved by other reorganization plans has been of aid to the Resources Board in carrying out the Board's responsibility for the coordination of mobilization planning and of the current defense effort.

EXHIBIT A. SUMMARY OF ACTIONS TAKEN BY THE RESOURCES BOARD WITHIN THE SCOPE OF HOOVER COMMISSION RECOMMENDATIONS

I. HOOVER COMMISSION RECOMMENDATION

More adequate and effective relations be developed at the working level between the Resources Board and other Government departments and agencies.

Action taken

In consultation with the departments and agencies which have a role in mobilization planning, the following actions have been taken:

1. Development of an interdepartmental staff group. This group, composed of the key program officers in each agency with mobilization planning responsibilities, serves as a focal point for the development of interagency staff work.

2. Appointment of a key executive in each agency to be responsible for leadership of the mobilization planning work within the agency.

3. Establishment of an interagency controls coordinating committee to develop consistent economic control programs under the Defense Production Act of 1950.

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4. Development of a written statement of working relationships between the Resources Board and the other departments and agencies. This statement gives particular attention to the Board's relationships with the Department of Defense and other agencies of the Executive Office of the President.

5. Development of a system of Resources Board observers to serve on interagency committees and industry advisory committees of other departments and agencies.

II. HOOVER COMMISSION RECOMMENDATION

That the jurisdiction and activities of the Resources Board be further defined and clarified.

Action taken

1. A complete survey of the functions and activities of the Resources Board was undertaken with the cooperation of the Bureau of the Budget. This survey had the following results:

(1) The organization structure of the Board's staff was modified to strengthen the program elements of the staff and to clarify the rule and functions of the planning offices.

(2) New statements of functions were developed for each office.

(3) Adjustment of staff was undertaken in accordance with the requirements of the new functional statements.

(4) An over-all statement of the Board's jurisdiction and activities was developed in cooperation with the staffs of the departments represented on the Resources Board.

2. Under the Defense Production Act, the jurisdiction and activities of the Resources Board have been further clarified. Executive Order 10161 places responsibility for coordination of the current defense effort in the Chairman of the Resources Board.

III. HOOVER COMMISSION RECOMMENDATION

Development of policies on various matters within the purview of the Resources Board, such as civil defense and stockpiling.

Action taken

1. The Resources Board has undertaken extensive work in the field of civil defense. Progress in this area is high-lighted by the recent submission to the President of the report entitled "United States Civil Defense."

2. Responsibilities for stockpiling policy and execution have been clarified by NSRB Document 99, Organization of Responsibilities in the Executive Branch for Stockpiling, which was developed by the Bureau of the Budget and approved by the President on January 5, 1949.

IV. HOOVER COMMISSION RECOMMENDATION

That the emergency plans for civilian and industrial mobilization be completed promptly and continuously revised.

Action taken

This recommendation has been implemented through a Government-wide mobilization-planning program. The program covers the development of plans in the following areas: (1) legislation; (2) testing the feasibility of requirements; (3) economic controls; (4) transportation; (5) energy and utilities; (6) materials and stockpiling; (7) manpower; (8) foreign economic controls and programs; (9) housing and community facilities; and (10) civil defense.

V. HOOVER COMMISSION RECOMMENDATION

That the use of civilian advisory boards should be continued.

Action taken

Implementation of this recommendation has been high lighted by the appointment of a 12-member civilian advisory committee on mobilization policy. This committee is composed of representatives from industry, agriculture, labor, and the public.

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THE PANAMA CANAL

NOVEMBER 29, 1950.

Hon. JOHN MCCLELLAN,
Chairman, Committee on Expenditures in the Executive Departments,
United States Senate, Washington, D. C.

DEAR SENATOR MCCLELLAN: I have your request of October 26, 1950, for information regarding action taken in connection with Public Law 841, Eighty-first Congress, maintenance and operation of the Panama Canal, and also regarding the effect of several other general legislative actions taken by the Eighty-first Congress. This matter has been taken up with Governor Newcomer who has asked me to advise you substantially as follows:

Public Law 841 was approved September 26, 1950. It will not become generally effective, however, until the Panama Canal, together with the facilities and appurtenances related thereto, is transferred by Executive order to the corporation, now known as the Panama Railroad Company, by the same law renamed the Panama Canal Company. The President of the United States has stated his intention to make the transfer on July 1, 1951.

Since approval of the law on September 26, 1950, steps have been taken to revise the 1952 budget presentation of the Panama Canal and Panama Railroad Company so as to conform to the organizations which will be in effect at the beginning of that fiscal year—namely, the Canal Zone government and the Panama Canal Company. The 1952 budget estimates must be complete in time for the President to present them to the Congress in January 1951. Because of the time factor, therefore, the only action to date as a result of Public Law 841 is that which is being taken to revise the budget estimates.

Until the complete detail of the entire operating organization under the new organization is worked out, it is not possible to say that any administrative deficiencies have been eliminated or that savings will be accomplished. The purpose of the legislation was not primarily one of eliminating administrative deficiencies or of effecting financial savings. Its main purpose was to permit the operation of the Canal and related activities as a corporation instead of as a non-corporate Government agency. This change is desired to permit management of the Canal and its appurtenances along commercial lines with a more equitable division of the cost of operation among the users of the Canal and its related facilities.

The Federal Property and Administrative Services Act of 1949, as amended (Public Laws Nos. 152 and 754), has only limited application to the Canal Railroad on the Isthmus, and has not resulted in any reorganization actions. The records management provisions are under continuing study and application with a view to achieving the objectives of the legislation, although no basic changes have been required, because the records management system of the Canal Railroad is already in substantial compliance with the legislation.

The Classification Act of 1949 applies to the Panama Canal, and a comprehensive plan for management improvement and efficiency awards to employees has been developed under title X of that act and Bureau of the Budget regulations thereunder. The Performance Rating Act of 1950 applies to the Canal Railroad but does not become effective until 90 days after September 30, 1950. The development of a performance rating system conforming to the requirements of that act is, of course, in progress.

Immediate benefits from the Budget and Accounting Procedures Act of 1950 will be obtained through the adoption of principles, standards, procedures, and systems which have been and are continuing to be developed by the joint accounting program. The Panama Canal is now engaged on a program to reappraise and revise the existing accounting, fiscal, internal control, budgeting, and reporting systems for the reorganization which will be effected July 1, 1951, for the Panama Canal Company and Canal Zone Government entities. It is anticipated that the provisions of Public Law 784 will be of material benefit in the development of our systems, through the cooperation of the General Accounting Office, Treasury Department, and Bureau of the Budget, and will result in improved financial and cost-accounting reports for management purposes.

Sincerely yours,

B. F. BURDICK, *Chief of Office.*

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POST OFFICE DEPARTMENT

NOVEMBER 29, 1950.

Hon. JOHN L. MCCLELLAN,
Chairman, Committee on Expenditures in the Executive Departments,
United States Senate, Washington, D. C.

DEAR SENATOR: This will acknowledge receipt of your letter dated October 24, 1950, requesting information with respect to the operation of certain reorganization plans and public laws affecting the postal service. The information that you request follows:

Reorganization Plan No. 3 provided for the transfer of all functions formerly charged to subordinate officers and agencies of the Post Office Department to the Postmaster General, with authority for delegation of functions as he deems appropriate. The plan also created the offices of Deputy Postmaster General, and four Assistant Postmasters General in lieu of four numerically designated Assistant Postmasters General. All of these provisions have been carried out. The plan provided for an Advisory Board, the members of which now have been confirmed by the Senate. It is expected that the Board will meet shortly after the first of the year.

As indicated by the nature of the plan, it was designed for the purpose of developing a closer control and coordination of the varied activities of the postal service. The plan did not contemplate that there would be any immediate elimination or curtailment of activities conducted by the central office in Washington, for which reason there has been no tangible dollar savings that can be attributed directly to the reorganization of the Department. There are approximately 1,800 employees in the Department in Washington, as compared with nearly 500,000 employees in the field service. It is anticipated that the eventual savings to be realized through a more comprehensive and effective headquarters organization will be made in the postal field service.

Reorganization Plan No. 18: In accordance with the requirements of this plan, the Post Office Department, on July 1, 1950, transferred 93 Federal buildings to the General Services Administration. It is estimated that nearly $14,500,000 will be transferred before the close of the year to cover the operating and maintenance costs of these buildings, together with personnel representing 3,900 man-years of employment. The effect of this transfer will be to reduce the postal deficit by the amount of the transfer, but it will conversely increase the expenditures of the General Services Administration by the amount it will require to operate the buildings transferred.

After concluding the transfer the Department still has 3,169 Federal buildings to operate, including personnel approximating 15,100 man-years of employment.

Public Law 231: This law provides for a research and development program in the Post Office Department. Under the authority of this act a Division of Research has been organized in the Office of the Administrative Assistant to the Postmaster General. The Department is now in the process of recruiting personnel for these assignments, which course must of necessity be slow in view of the great care to be exercised in selecting the most qualified persons for the work to be undertaken. Many important research projects are now in progress. Other projects are in various stages of planning for the purpose of determining the practicality of the proposed changes in equipment and in financial, accounting, and mail-handling procedures.

Some of the major research projects may take several years to complete. Others may be completed in shorter periods of time with respect to the investigation and determination of their usefulness, but additional time will be required to place the changes in effect in post offices or other operating units in order that the full benefits may be obtained. Because of this, the major savings may not be realized immediately.

For the fiscal year ended June 30, 1950, the sum of $750,000 was appropriated for the use of the Post Office Department in purchasing modern and experimental equipment. From the best figures available, the indication is that the annual benefits resulting from the installation of this equipment exceeds $1,500,000. These benefits will of course accrue each year hereafter, and will increase to the extent that the experimental equipment may be extended to other post offices where its use is practicable.

Public Law 712, Post Office Department Financial Control Act of 1950: In accordance with the provisions of this law, the functions performed by the General Accounting Office for the Post Office Department were transferred to

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this Department effective November 15, 1950. The General Accounting Office transferred about 800 employees at Asheville, N. C., and the sum of $1,755,000 to the Post Office Department for the purpose of carrying out these functions from November 15, 1950, to June 30, 1951. The budget estimates for the postal service were increased by $2,813,000 for the purpose of providing funds for this new activity for the entire fiscal year 1952. The effect of the transfer will be to increase the annual expenses of the Post Office Department and the postal deficit to that extent.

In order to secure maximum benefit from this change, plans are being formulated to decentralize the accounting activities to 12 regions in the field. This will be an obvious advantage in that the accounting records will generally be retained at the field accounting offices, which will greatly reduce the distance that such accounting papers must now travel before reaching their ultimate destination. While it is not anticipated that the acquiring of the accounting functions of the General Accounting Office will in itself produce any tangible savings in money to the postal service, it should eventually reduce over-all Government costs, and it is expected that through the use of better accounting statistics the Department will be in a position to better administer the field service. Before full benefits can be realized it will be necessary to set up a new accounting system which will be integrated with the new budget and appropriation structures. Probably it will be about 2 years before the effect of Public Law 712, the decentralization of the audit functions, and the new accounting structure can be evaluated.

Public Laws 152 and 754 to date have had comparatively little effect on the administration and operation of the postal service due to the very nature of postal service functions of procurement, warehousing, property utilization, disposal of surplus property and the like.

Public Law 784 to date has had very little effect on the administration and operation of this Department except to repeal "personnel ceiling requirements" and other laws affecting the postal service that were obsolete or no longer necessary. Public Law 712, rather than Public Law 784, is considered the "Budget and Accounting Act" for this Department.

Sincerely yours,

J. M. DONALDSON,
Postmaster General.

RECONSTRUCTION FINANCE CORPORATION

NOVEMBER 24, 1950.

Hon. JOHN L. MCCLELLAN,
Chairman, Committee on Expenditures in the Executive Departments,
United States Senate, Washington 25, D. C.

DEAR SENATOR MCCLELLAN: This will supplement my letter dated November 1, 1950, in reply to your letter dated October 26, 1950, requesting complete information as to (*a*) steps which have been taken to carry out any reorganization laws or plans affecting RFC; (*b*) administrative deficiencies eliminated or improvements which have been made in organization and management of RFC; and (*c*) estimates of savings that may have been realized or that may be expected as a result of such reorganizations.

Pursuant to Reorganization Plans No. 22 and No. 23, the funds, personnel, records, documents, property, and equipment involved were transferred to Housing and Home Finance Agency effective September 7, 1950.

At the request of the Federal National Mortgage Association, the RFC, under a temporary arrangement, is supplying personnel on a reimbursable basis to supervise the activities of the Association in two field offices, which are presently shared by RFC and FNMA, pending a determination as to the ultimate disposition of such activities. It is the announced plan of FNMA to integrate the remaining two reimbursable offices into the FNMA program by January 1, 1951.

By agreement with Housing and Home Finance Agency, the RFC is continuing to service on a reimbursable basis nine loans transferred pursuant to Reorganization Plan No. 23.

Since the programs covered by these reorganization plans are no longer operated by RFC, we are, of course, not in position to speak with reference to any improvements in organization or management, or any savings in administrative costs of these programs. The total expenditures made by this Corporation have, of course, been reduced by the amount of funds and authorizations transferred pursuant to these plans, but insofar as present RFC operations are con-

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cerned, they were not affected by reorganization plans and consequently the reorganization plans have not resulted in any improvements in organization or management, or any savings in administrative costs of RFC operation.

The Corporation has conformed to the requirements of the Budget and Accounting Procedures Act of 1950 (Public Law No. 784) insofar as its provisions are applicable to the budgetary, accounting, and auditing practices required of Government agencies coming within the provisions of the Government Corporations Control Act of 1945. The improved procedures for reporting from accounting, auditing, and budgetary standpoints have vitally assisted management in determining Corporation policy. It is not possible to determine at this time whether there will be any monetary benefits.

The General Services Administration has issued regulations pursuant to the Federal Property and Administrative Services Act of 1949, as amended (Public Laws Nos. 152 and 754), advising Government agencies with respect to their responsibiliites under the act. The RFC is complying with these regulations insofar as they apply to the activities of the Corporation. Procedures have been installed for the reporting of surplus property by the loan agencies and the Washington office and for the disposal of such property. In addition, various reports, such as the report on contracts for supplies and services, are being furnished General Services Administration periodically. It should be mentioned that preparation of these reports results in administrative expense which previously was not involved in RFC operations.

With reference to your inquiry concerning the Lustron transaction, that transaction has not been transferred from RFC to HHFA because both of the agencies concerned have administratively determined that Reorganization Plan No. 23 of 1950 did not operate to effect such a transfer. In this connection, I am enclosing a copy of a letter dated August 31, 1950, which, you will note, formalizes this determination and bears the signature of Mr. Hise on behalf of RFC and the concurrence of Mr. Foley on behalf of HHFA. Attention is particularly invited to the following paragraphs of that letter:

'Since the loans to the Lustron Corp. have progressed far beyond being reduced to judgment (the mortgaged property having been sold judicially and the sales having been confirmed by the court) they have become a liquidation matter and, hence, in our opinion, remain unaffected by Reorganization Plan No. 23 of 1950 which, as its language indicates, was intended to transfer active functions as distinguished from liquidating functions. Constituting, as they do, one aggregate indebtedness consisting of an original loan which at later dates was supplemented by additional loans to accomplish the purposes of the original loan, and the authority under which the first loan was made having expired in 1947, it would seem that a liquidating function, the remnant of expired statutory authority, could hardly have been intended to be transferred to another agency—and especially so where such late stages of liquidation have been reached as are here involved.

'Certainly, if the consideration motivating Reorganization Plan No. 23, of 1950 (namely the transfer to Housing and Home Finance Agency of housing functions being performed by this Corporation) is to serve also as a guide in interpreting the plan, it must be concluded that the so-called Lustron loans are not transferred by the plan. It will be recalled that the motivating consideration stated in the President's message submitting the plan was that the functions in question are more closely related to the housing functions of Housing and Home Finance Agency than to the financing functions of this Corporation. What remains to be done with respect to the so-called Lustron loans consists of concluding pending litigation, completing the liquidation through realization on the assets purchased at the foreclosure sale, and taking such other steps as may be appropriate to satisfy the judgment recovered by this Corporation. Manifestly, these remaining functions are inherently liquidation rather than housing in character."

This letter was submitted for publication in the Federal Register but we were advised that its publication in the Federal Register would not be in keeping with applicable regulations. Upon advice that the letter could not be published in the Federal Register, it was released to the press.

I am also enclosing a copy of our general counsel's opinion dated August 11, 1950, which discusses the question in greater detail and concludes that Reorganization Plan No. 23 of 1950 did not effect a transfer of the Lustron transaction. It may perhaps be of interest that an inquiry into the status of the Lustron transaction was made by the subcommittee on RFC of the Senate Banking and Currency Committee on September 19, 1950. This was an executive session

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held for the purpose of determining whether there should be open hearings on the matter. Representatives of HHFA and of this Corporation gave testimony, and so far as we know, no open hearings are scheduled.

We are glad to cooperate with your committee in any way that we can and if we can be of further assistance, please let me know.

Sincerely yours,

W. E. HARBER, *Chairman.*

(The enclosures referred to in Chairman Harber's letter have been incorporated in the committee's files.)

SELECTIVE SERVICE SYSTEM

DECEMBER 4, 1950.

Hon. JOHN L. MCCLELLAN,
United States Senate.

DEAR SENATOR MCCLELLAN: Pursuant to your request of October 26, 1950, made under Senate Rule XXV (Public Law 601, 79th Cong.), the Selective Service System submits the following information:

For the implementation of Public Law 779, Eighty-first Congress, amending the Selective Service Act of 1948, part 1650 of the Selective Service Regulations was written, approved, and put into effect. This part of the regulations supplements the general regulations written for the implementation of the Selective Service Act of 1948 and provides for special registration of members of the medical, dental, and veterinary professions and allied specialists. The first registration under these regulations was held on October 16, 1950. Provision has been made also for the classification by local boards of these special registrants and special procedure established for their physical examination at Armed Forces joint examining and induction stations. Provision has also been made for special selection, delivery, and induction, unless these special registrants apply for and accept commissions in their respective corps of the Armed Forces.

To supplement these regulations in the implementation of Public Law 779, Operations Bulletins Nos. 8 and 10, dated October 11 and 26, respectively, and State Director Advice (No. 191), dated October 13, 1950, have been issued. These publications indicate the formation of the National Advisory Committee as provided in Public Law 779 with its constituent voluntary advisory committees within the States and indicate the desirability of having all of the echelons of the Selective Service System cooperate fully with these committees. No savings have resulted to the Selective Service System from the enactment of Public Law 779, Eighty-first Congress. Quite the contrary has taken place. The Selective Service System was the agency ordered by the President to defray the necessary expenses of this medical advisory organization. Representatives of the National Advisory Committee have informed the Selective Service System that their expenses for the balance of the fiscal year will be approximately $442,828. Other expenses incident to the registration, classification, physical examination, and induction of this special group will approximate $67,172.

The Budget and Accounting Procedures Act of 1950 (Public Law 784, 81st Cong.) as of this date has not affected the Selective Service System to such an extent that specific statements can be made regarding any economies that may result or additional expenses that may be involved.

Title V of the Federal Property and Administrative Services Act of 1949, and amendments thereto (Public Laws 152 and 754), affected the records management program of the Selective Service System. This title, known as the Federal records law, sets forth the duties and responsibilities of the Archivist of the United States and of the heads of Federal agencies with respect to the creation, maintenance, and disposal of records. Inasmuch as the Selective Service System had, in accordance with previously issued Executive Order 9784, dated November 26, 1945, and the various records disposal acts administered by the National Archives, created a well-coordinated records-disposal program, which included many objectives found in the legislation referred to above, it may be stated that this agency had, beginning on May 3, 1943, with the establishment of the Archives Division at national headquarters, anticipated, and, in many ways, exceeded the recommendations of the Hoover Commission on Organization of the Executive Branch of the Government, insofar as this phase of operations is concerned. This records-disposal program was carried into the administration of the Office of Selective Service Records and enlarged upon to include records management and record depot operation.

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Operation of the Selective Training and Service Act of 1940, as amended, resulted in the accumulation of approximately 700,000 linear feet of records. At the time the Office of Selective Service Records was established on March 31 1947, approximately 233,000 linear feet of such records had been disposed of by destruction, transfer to other agencies, or transfer to the Archivist of the United States. The remaining 467,000 linear feet of records were housed in 54 record depots in the several States and Territories where they were serviced in accordance with the intent and provisions of Public Law 26, Eightieth Congress, at the maximum of efficiency and at a minimum of cost to the Federal Government. This service has been continued under the Selective Service Act of 1948. Since March 31, 1947, over a million requests for information have been made upon the records of the Selective Training and Service Act of 1940, as amended.

The Office of Selective Service Records was in existence for approximately 15 months, during which an additional 50,000 linear feet of records were disposed of, a total of 283,000 out of an estimated 700,000, or 40 percent of the original holdings. These records are now arranged in well-coordinated groups, described in the attached Administrative Bulletin, which will permit, at a minimum of expense, (1) identification of individual records through proper finding media, (2 fixed retention periods for records of permanent value, (3) fixed destruction dates for records which can be destroyed within the foreseeable future, and (4 fixed dates for transfer of records of permanent value to the Archivist of the United States.

In addition to the 417,000 linear feet of records acquired from the Office of Selective Service Records, there have been obtained under the Selective Service Act of 1948, as amended, approximately 100,000 linear feet of records, to which an accretion of approximately 10,000 linear feet per year may be expected. It is planned that this accretion will be offset by comparable disposals of noncurrent records of the Selective Service Act of 1948 and overage records of the Selective Training and Service Act of 1940, as amended. The Selective Service System has planned for the periodic retirement of certain noncurrent records to record depots previously established at each State headquarters and at national headquarters, and for the destruction, after a fixed period of retention, of duplicate record copies of documents prepared in multiple numbers. All records of the Selective Service Act of 1948 have been placed on approved disposal lists and schedules submitted to the Archivist of the United States and the Joint Committee on the Destruction of Executive Papers, in accordance with the Federal records law. These plans are flexible enough so as to permit a change without further reference to the Archivist or to the Congress, except as to the procurement of funds. As provided in the Federal records law, plans have been formulated and are ready to be placed in operation for the orderly periodic retirement of certain current records of the Selective Service System of 1948 to records centers. This retirement of records program should result in reducing the purchase of filing equipment to an absolute minimum, since the retirement of records to record depots will be accompanied by a disposal program on the records of the Selective Training and Service Act of 1940, as amended, as described below.

The Selective Service System has ready for publication instructions which will result in the destruction of approximately 6,000,000 of the 35,000,000 cover sheets obtained under the Selective Training and Service Act of 1940, as amended. Because of the confidential nature of such records, it is required that they be macerated, shredded, or burned. While these requirements contribute to the cost of operation of record depots, they are necessary because of the provisions of Public Law 26, Eightieth Congress, which require that the confidentiality of all records obtained under the Selective Training and Service Act of 1940, as amended, be preserved. Funds were requested for this purpose in the budget for the fiscal years 1949 and 1950, which were approved by the Bureau of the Budget, but in both years were eliminated by the Congress. Funds have again been requested in the pending deficiency appropriation, and it is hoped that this program can be accomplished before the end of the present fiscal year.

During each succeeding fiscal year, it is planned to destroy several hundred thousand cover sheets of registrants who have reached the age of 45 years, and to transfer to record depots from local boards approximately the same number of records of registrants who will have reached the age after which they are no longer liable for military service, and veterans who are exempt from induction.

Sincerely yours,

LEWIS B. HERSHEY, *Director.*

(Administrative Bulletin No. 7.20, as amended September 6, 1950, referred to in General Hershey's letter has been made a part of the committee's files.)

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SECURITIES AND EXCHANGE COMMISSION

DECEMBER 11, 1950.

Hon. JOHN L. MCCLELLAN,
United States Senate, Washington, D. C.

DEAR SENATOR MCCLELLAN: Your letter of October 25, 1950, requests complete information on the effect of Reorganization Plan No. 10 of 1950 as well as other general legislative action by the Eighty-first Congress affecting the organization and operations of this Commission.

A. STEPS WHICH HAVE BEEN TAKEN TO CARRY OUT REORGANIZATION PLAN NO. 10 OF 1950

Reorganization Plan No. 10, transferring certain executive functions of the Commission to its Chairman, became effective on May 24, 1950. On that date, pursuant to section 3 of the plan, the President designated as Chairman Mr. Harry A. McDonald, a member of the Commission who had been serving as Chairman since the previous November.

The Chairman has assumed responsibility for the following activities previously vested in the Commission:

1. General personnel supervision, including the appointment, promotion, and separation of personnel (other than heads of major administrative divisions);
2. General budget and fiscal matters, including the periodic review and approval of expenditures and obligations, administrative regulations covering official travel of employees, establishment of fiscal accounting procedures, and preparation of budget requests and justifications for consideration by the Commission.
3. All management functions designed to secure more efficient use of personnel and to improve the quality of service rendered to the public; and
4. All housekeeping functions, including records service and management; the acquisition, storage and issue, of supplies and equipment; duplicating and printing; library services; and similar administrative duties.

The Chairman has delegated to the budget and fiscal officer, the Director of Personnel, and the Director of Administrative Services authority to perform certain of those functions, including respectively the certification of vouchers, the appointment and promotion of employees up to and including GS–8, and the execution of contracts.

B. ADMINISTRATIVE DEFICIENCIES ELIMINATED AND IMPROVEMENTS WHICH HAVE BEEN MADE IN THE ORGANIZATION AND MANAGEMENT OF THE COMMISSION

It is believed that the assumption by the Chairman of responsibility for the foregoing activities, and the resulting delegations of authority he has made, has facilitated the dispatch of routine matters. The Chairman has also assumed a greater participation in the Commission's management program established following the Hoover Commission study. Under this program a systematic review is being made of the functions and efficiency of the various operating units in the Commission, and progress is being made toward the development of work standards and the simplification of procedures.

The Chairman is also concerned with planning for major problems which the Commission may anticipate in the future. An example of this is the adjustment which will have to be made in the staff assigned to the administration of the Public Utility Holding Company Act of 1935 as the major burden of work under section 11 of that statute diminishes. Action is being taken to absorb personnel thus released into vacant positions elsewhere in the Commission for which they are qualified or can be trained through an in-service training program.

C. ESTIMATES OF SAVINGS THAT HAVE BEEN REALIZED OR MAY BE EXPECTED AS A RESULT OF PLAN 10

We can point to no actual money savings as a result of Reorganization Plan 10, nor is it possible to estimate any savings which may be realized in the future. An indication of the type of economies which have been achieved can be seen in the following action of the Chairman: For many years this Commission gathered and published data on the financial characteristics of corporations having listed securities. In 1948 this work was stopped for budgetary reasons. Nevertheless, there has been a continuing demand for this type of information from committees of Congress and other agencies of the Government as well as from business

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organizations and other persons. It was estimated that 10 full-time employees would be needed in the statistical section to maintain this information on a current basis. However, after study, the Chairman's office evolved a method for gathering the necessary figures in the course of the routine examination of the financial statements made by the operating divisions. This new system will not affect the workload of the examiners to any material degree, so that the information will now be available without any increase in personnel.

D. EFFECTS OF GENERAL LEGISLATIVE ACTIONS

1. The Budget and Accounting Procedures Act of 1950

This already has resulted in the simplification of some of the Commission's administrative accounting procedures in that (*a*) it is no longer necessary to obtain the approval of the Director of the Budget for quarterly personnel ceilings; and (*b*) the regulations of the Treasury Department and the General Accounting Office with respect to administrative accounting and reporting requirements are being modified from time to time to eliminate unnecessary reports and to simplify accounting procedures. While savings to date have been modest, it is apparent that this law will result in simplified and more useful fiscal accounting records.

The Commission welcomes the official recognition given by this law to the "performance budget." As we have informed the committee previously, our budget estimates for the past several years generally have been based on the cost of performing our major functions under the several statutes which we administer. We feel that this permits a better understanding of our needs by the Appropriations Committees of Congress and by the Bureau of the Budget.

2. The Classification Act of 1949

Under this law the departments and agencies are granted authority to evaluate positions in accordance with prescribed standards. This method of job classification represents a considerable improvement over the procedures required under the Classification Act of 1923, as amended.

In addition, title X of the Classification Act of 1949 gives legislative substance to systematic review of agency operations looking toward improvement in management, and provides for awards to supervisors and employees whose efforts lead to efficiency and economy of operations. The efficiency-award plan provided for in this law serves to round out the Government's incentive-awards program.

3. The Federal Property and Administrative Services Act of 1949, and amendments thereto (Public Laws 152 and 754)

(*a*) *Records management.*—Public Law 754 combined into one law many scattered statutes, executive directives, and administrative precedents relating to records management. It is not possible as yet to assess the value of the changes in procedures which this law has made. In our letter of June 10, 1949, to your committee, we reported the disposal of 10,950 cubic feet of records, the equivalent of 1,200 filing cabinets. Since that date we have eliminated an additional 1,150 cubic feet of unnecessary material. More than $6,000 has been realized to the Government during the past 4 years in the sale of these obsolete records as waste paper. In addition, we have freed for other use a large amount of storage space and filing equipment.

(*b*) *Acquisition and disposal of property.*—Public Law 152, the Federal Property and Administrative Services Act of 1949, has had very little effect on the operations of this Commission. Being a relatively small agency, our purchasing, storage, issue, and transportation activities are minor in scope. Prior to the passage of this act, our purchasing was done from the Bureau of Federal Supply of the Treasury Department, the General Schedule of Supplies, or upon the open market. No substantial change in this procedure has occurred.

Recently, regulations have been issued by the General Services Administration conferring upon the individual agencies authority for the utilization of excess property and for the disposal of surplus property. These activities formerly were handled by the War Asets Administration and the Bureau of Federal Supply. The Commission feels that this decentralization may ultimately result in considerable savings to the Government. So far as the Commission is concerned, however, we can point to no savings attributable to this act.

(*c*) *Office space.*—Reorganization Plan No. 18 had the effect of centralizing in the General Services Administration the authority for the leasing of all office space. This work was formerly performed by the Division of Administrative

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Services of this Commission. Again, since this Commission is a relatively small agency, negotiations with lessors and acquisition of office space was a minor function. Since this work originally required only a nominal amount of time, we do not anticipate any administrative savings as a result of plan No. 18. It is our belief, however, that the centralization of this function in one agency may result in considerable savings to the Government as a whole, particularly as a consequence of volume leasing.

I trust this letter will furnish you the information you seek. If you should desire any further details, I would be happy to comply with your request.

Sincerely yours,

DONALD C. COOK, *Vice Chairman.*

DEPARTMENT OF STATE

DECEMBER 11, 1950.

The Honorable JOHN L. MCCLELLAN,
Chairman, Committee on Expenditures in the Executive Departments,
United States Senate.

MY DEAR SENATOR MCCLELLAN: Further reference is made to your letter of October 25, 1950, to the Secretary of State requesting information concerning action taken by the Department of State to implement Reorganization Plan 20 of 1950, Public Law 73, Public Law 821, and certain general legislative enactments of the Eighty-first Congress designed to improve economy and efficiency in the executive branch.

I am pleased to submit the attached report which, I believe, provides the information you need. If I can furnish any additional information, I shall be most happy to do so.

Sincerely yours,

CARLISLE H. HUMELSINE,
Deputy Under Secretary.

REPORT TO COMMITTEE ON EXPENDITURES IN THE EXECUTIVE DEPARTMENTS, UNITED STATES SENATE

The following statements describe the implementation and administration of Reorganization Plan 20 and certain legislative enactments of the Eighty-first Congress:

REORGANIZATION PLAN 20 OF 1950

Reorganization Plan No. 20, approved June 20, 1949, transferred the following functions from the Department of State to the Administrator of General Services:

1. The receipt and preservation of the original copies of bills, orders, resolutions, and votes;
2. The publication of acts and joint resolutions in slip form and the compilation, editing, indexing, and publication of the United States Statutes at Large, except such functions with respect to treaties and other international agreements;
3. The certification and publication of amendments to the Constitution of the United States and the preservation of such amendments;
4. Certificates of appointment of the electors of the President and Vice President and certificates of the votes of such electors for President and Vice President; and
5. The collection, copying, arranging, editing, copy reading, and indexing of the official papers of the Territories.

This reorganization was designed to remove from the State Department functions which had no direct relationship to the conduct of foreign affairs. To carry out the provisions of the plan the following positions, funds, and property located in the Department of State for the purpose of administering the functions enumerated above were transferred to the General Services Administration:

1. Nine positions carrying annual salaries totaling $52,400 together with unexpended balances to cover such salaries for the period May 24, 1950, to June 30, 1950, amounting to $2,338.56;
2. All other unexpended funds designed for these activities along with all unliquidated obligations for fiscal years 1948, 1949, and 1950, and total funds to be appropriated for fiscal year 1951; and
3. Miscellaneous property items including files and other records furniture, etc.

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The effect of this plan was to remove from the Department of State functions extraneous to its normal responsibilities being, therefore, one of a series of actions designed toward a more orderly grouping of functions within the Government. While functions transferred under this plan were relatively minor, the transfer has helped to improve the organization of the Department of State. Any economies which may result in the future cannot be estimated at this time.

PUBLIC LAW 821—PUBLICATION OF STATUTES AT LARGE, TREATIES, ETC.

This law authorizes the publication of treaties and other international agreements, formerly published in the Statutes at Large, in a new compilation entitled "United States Treaties and Other International Agreements." The effect of the law was to permit the transfer to the General Services Administration the responsibility for publishing the Statutes at Large but at the same time maintaining within the Department of State responsibility for publication of treaties and other international agreements. The first volume of United States Treaties and Other International Agreements will be published during 1951 for the calendar year 1950.

This legislation, together with Reorganization Plan 20, has assisted in divesting from the Department of State functions not related to its normal responsibilities. The Department does not expect that there will be any appreciable savings in monetary terms as a result of this legislation although an improvement in service to the users of the publications is expected.

PUBLIC LAW 73—REORGANIZATION OF THE DEPARTMENT OF STATE

Complete information concerning the basic steps taken to carry out this law and to put the recommendations of the Hoover Commission into effect was reported to you by this Department in letters dated July 12, 1949, August 1, 1949, and January 31, 1950. Senate Report 2581 contains this information in digest form. Consequently, these remarks will be limited to an evaluation of the reorganization and a summary of additional steps taken by the Department of State to strengthen its organization since the submission to you of the January 31 report.

Over the past several months the benefits of the reorganization have been realized. In general, the Department has been provided with a simpler and more responsive organization and an improved mechanism for discharging its responsibilities. The principal improvements that have been made in the Department as a result of the reorganization are as follows:

1. The overwhelming workload on the Secretary and Under Secretary, which had been noted by both Secretary Marshall and Secretary Acheson, has been made manageable through the strengthening of their offices by the utilization of two Assistant Secretaries of State as Deputy Under Secretaries and by delegations of responsibility to the eight Assistant Secretaries. Under Secretary Webb has publicly stated his view that the work of the Office of the Secretary has been lightened by 60 percent as an end product of the total reorganization effort.

2. The Department's structure is now much simplified and the responsibilities and functions of its various parts are better defined and clarified. In January 1949 the Department consisted of a total of 393 major organizational units—offices, divisions, branches, and so forth. This number was reduced through consolidations and reorganization to a total of 213. This reduction in number in itself is not necessarily noteworthy but it means that the tasks of direction, coordination, and management control have become less burdensome for the senior officers of the Department.

3. The establishment of four new geographic bureaus under the new Assistant Secretaries of State provided by Public Law 73 has facilitated the fixing of responsibility by the Secretary for action with respect to the geographic regions and particular countries of the world. These new bureaus have been given political, economic, public affairs, and diplomatic and consular post administration responsibility for the areas of the world which they handle. Accordingly, they have been adequately staffed in order that they may apply general foreign policy within their regions and contribute substantially to the development of global policies.

4. The over-all economic activities and the public-affairs activities of the Department have continued under the direction of the Assistant Secretaries for Economic and Public Affairs, respectively. Both have reoriented their activities in the light of new divisions of responsibilities between them and the regional bureaus. In line with the reorganization plan the public affairs area was reorganized internally in order to free the Assistant Secretary for Public Affairs from

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the heavy operational responsibilities involved in the direction of the international information and educational exchange program. A general manager was appointed to direct the operation of both these programs under the policy directives of the Assistant Secretary to whom he reports.

5. The former Office of United Nations Affairs was reestablished as the Bureau of United Nations Affairs under the direction of a new Assistant Secretary. Internal rearrangements have been made in this Bureau which have resulted in a strengthening of our machinery for administrative backstopping of United States participation in international activities. As part of the reorganization plan, a careful division of responsibility was evolved in order to assure that the special knowledge and interests of the regional bureaus would be brought to bear in the establishment of United States positions in the United Nations, and and other international organizations.

6. The entire organization for administrative management of the Department was also extensively revised. In addition to an extensive decentralization of administration to the operating bureaus and offices, the central administrative offices responsible for personnel, organization, general service, and consular affairs were reorganized to eliminate the separate organizations for departmental and Foreign Service administration. Each of the new offices now has clear-cut responsibility for its functions both in the United States and overseas. This change in organization has greatly facilitated our taking prompt and coordinated action on administrative matters and has improved the administrative support for the Department's overseas activities.

There follows a summary of additional steps taken by the Department to strengthen its organization in the light of new responsibilities in the foreign-affairs field:

1. A Bureau of German Affairs, patterned after the regional bureaus, was established to support the work of the United States High Commissioner in Germany. While this is a separate bureau, established to meet the extraordinary problems arising from the German occupation, it is expected that eventually its activities will be absorbed by the Bureau of European Affairs.

2. On October 25, 1949, the position of Director of Mutual Defense Assistance was established in the Office of the Secretary and assigned the general responsibility for carrying out the provisions of the Mutual Defense Assistance Act of 1949, as amended. The Director was assigned a small staff to assist him in administering the program. In addition, the regional bureaus and functional offices of the Department have been developing and administering certain aspects of the program subject to over-all advice, review, and coordination of the Director.

Because of the tremendous step-up in our foreign and domestic programs for increasing our own national security and that of other free nations, the Department of State has recently been devoting considerable efforts toward the development of organizational machinery which will integrate the many programs of military and economic assistance both within the Department of State and among the various agencies of the Government. Recent international developments require a vigorous and unified direction of United States policy and programs in the international security field.

This Department in conjunction with the Department of Defense, the Treasury Department, and the Economic Cooperation Administration has devised machinery to accomplish this purpose. Arrangements are being made for the appointment of a Director of International Security and Assistance Affairs in the Department of State who will be responsible for coordinating all activities within the Department relating to the North Atlantic Treaty, other similar international programs, and military and economic assistance for mutual defense and in addition will be responsible for providing leadership in the interdepartmental coordination of these programs. The Director for International Security Affairs will assume the duties now performed by the Director for Mutual Defense Assistance and will be given additional responsibilities and authority commensurate with the role outlined above.

3. On October 27, 1950, the Technical Cooperation Administration was established in the Department of State. It is the function of this office to plan, implement, and manage the technical cooperation (point 4) programs authorized by the Act for Internatonal Development (title IV of Public Law 535, 81st Cong.). The Technical Cooperation Administration operates as an integral component of the Department of State, utilizing the Department's staff services and facilities.

4. Executive Order No. 10171 of October 12, 1950, vested in the Department of State the responsibilities and obligations of the United States in connection with

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the occupation of Austria. A United States civilian High Commissioner for Austria was appointed and furnished as organization to carry out these responsibilities in Austria, Departmental support for the High Commissioner has been provided in the Bureau of European Affairs.

PUBLIC LAW 110—TO IMPROVE ADMINISTRATION OF THE CENTRAL INTELLIGENCE AGENCY

Since this law is entirely concerned with the internal operations of another agency of the Government, the Department of State does not feel competent to comment upon its effectiveness.

PUBLIC LAW 152 AND PUBLIC LAW 754—FEDERAL PROPERTY AND ADMINISTRATIVE SERVICES ACT OF 1950

It is too soon for the Department of State to have realized any administrative improvements or economies from the passage of this legislation. However, we expect that after the General Services Administration has had time to place its programs into full operation there will be some improvements to report.

PUBLIC LAW 784—BUDGET AND ACCOUNTING PROCEDURES ACT OF 1950

Since early in 1950 the Department of State has been engaged in a series of projects to improve its budget, accounting, and financial reporting processes. These projects have proceeded as follows:

1. During March and April 1950 a financial report survey completed a study of summary financial reports prepared in the Department and discussed with staff and operating officials the types of summary financial data needed throughout the Department for fiscal management. This study necessarily broadened into a review of our budgeting and accounting procedures.

2. As an outgrowth of the work performed by the financial reports survey team, we requested the assistance of the Accounting Systems Division of the General Accounting Office, the Bureau of the Budget, and the Treasury Department in developing a fiscal system which will provide the Department with fiscal information needed for executive control and facilitate the preparation of a performance budget. It is contemplated that the joint team will thoroughly review our present fiscal operations and assist the Department in implementing necessary improvements.

3. On October 9, 1950, an intra-State Department committee was established to recommend solutions to certain specific problems of fiscal and budgetary administration. The terms of reference of this committee are as follows:

(*a*) Develop a cost-activity classification and a program to implement cost-activity and performance budgeting.

(*b*) Make recommendations relative to fund control and budget execution.

(*c*) Develop and recommend a system of summary financial reports.

(*d*) Recommend solutions to certain existing accounting and budgeting policy problems.

In addition to providing a general basis for a modern accounting system for the Department of State, Public Law 784 will permit the simplification of fiscal procedures previously influenced by the provisions of certain laws. Examples are the warrant procedure for making appropriated funds available to spending agencies and the State account of advances through which funds are made available to our disbursing officers both in the United States and overseas. These revised procedures are being developed primarily through the cooperative efforts of the General Accounting Office and the Treasury Department.

PUBLIC LAW 359—EXECUTIVE PAY RAISE ACT

This act has enabled the Department of State to achieve a greater salary equity for its high-level personnel and will undoubtedly assist materially in obtaining and retaining the services of top executives.

The Executive Pay Raise Act initially increased the cost of operating the Department in that it raised salaries of top executives. Savings to be achieved under this bill must result from either, or both, the following factors:

1. The ability of the Department to obtain the services of higher caliber personnel for these positions, thereby increasing productivity.

2. The possibility of retaining the services of high-caliber personnel already in the Department, many of whom in the past have resigned to go into private employment due to the low Federal salary scale for such positions.

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PUBLIC LAW 429—CLASSIFICATION ACT OF 1949 (GENERAL)

A significant provision of this act was that which removed the requirement of pre-audit of agency allocations by the Civil Service Commission and allowed agencies to complete personnel actions on the basis of agency allocations subject to post-audit by the Commission. Procedures to effectuate this provision have been installed and have resulted in the elimination of the delay necessitated by the submission of all positions to the Commission for review and approval. This has brought about a reduction of from 2 to 4 weeks in the time required to obtain final allocations of a position. A further saving in time has been made through the elimination of the numerous discussions and negotiations with the Commisson on individual cases. While this saving is partially offset by the necessity for a more comprehensive review in appeal cases, nevertheless the change has resulted in a net increase in efficiency to the Department. There has also been a decrease in the length of time for allocations of positions in the Department which has resulted in a net speeding up of the personnel processes.

The significance of the addition of the top three grades provided in the Classification Act has been discussed under the executive pay bill. It is our opinion, however, that the limitations on the number of positions allowed in these three grades was placed in the act without realistic determination of the number of positions having the duties and responsibilities which meet the requirements for those grades throughout the Government.

PUBLIC LAW 429—CLASSIFICATION ACT OF 1949 (MANAGEMENT IMPROVEMENT AND EFFICIENCY AWARDS)

Under the provisions of section 1001 of title X of the Classification Act of 1949 and Bureau of the Budget Circular A–8, January 31, 1950, the Department of State has submitted to the Bureau of the Budget a comprehensive report on its management-improvement activities designed to accomplish the objectives of systematic reviews of operations. In brief, the Department's plan is built around the decentralization of responsibility for the review of operations to the operating units themselves, and the provision of necessary management staff assistance to the line executives to aid them in the critical examination of their own functions and the installation of improved methods.

Such staff assistance is located in the office of the executive director of each regional bureau and the functional and policy advisory areas of the Department. Each of the offices in the administrative area, namely the Office of Personnel, Office of Operating Facilities, Office of Budget and Finance, and Office of Consular Affairs is charged with the continuous appraisal of the administrative support and control functions which they conduct on a Department-wide basis as well as within their own organizations. In the Office of the Deputy Under Secretary for Administration, a management staff provides assistance to all areas of the Department in solving management problems which cross bureau and office lines, are common to several major organization units, or otherwise cannot be solved at the operating levels.

Each organization unit is required to maintain a comprehensive listing of the management problems involved in its operation and a schedule for attacking these problems, including, as nearly as can be determined in advance, the manpower and timing of the efforts to be applied. The schedules also include systematic review projects intended to identify problems not already recognized and to disclose organization units, supervisors, and employees who have produced outstanding results in terms of efficiency and economy.

The organization of the Efficiency Awards Committee and the specific procedures necessary for the efficiency awards program established by section 1002 of title X of the Classification Act have not yet been fully implemented in the Department of State. However, the problem has been given thorough study and instructions have been prepared to place the efficiency awards program into operation. These instructions are now in clearance and will be issued in the near future. They provide, in brief, criteria for the granting of awards, define eligibility to receive awards and provide the procedure and organization for the program administration.

The program is to be closely integrated with the already existing employee suggestion and honor awards programs of the Department. To this end, the functions of efficiency awards committees under title X will be assigned to the Department's Employee Suggestion Board. Efficiency awards will be granted only to employees whose suggestions or performance result in savings. The

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Employee Suggestion Board is charged with establishing standards to be used in evaluating recommendations for awards and in determining the nature and amount of awards; providing guides to supervisors in the initiation of nominations for efficiency awards; and stimulating participation in the efficiency awards program.

The Department has had highly satisfactory results over the past 2 years with its existing employee suggestion program. During fiscal year 1950, for example, a total of $2,692 was paid to employees for suggestions that have resulted in an estimated savings of $42,871 to the Department for that year.

PUBLIC LAW 873—PERFORMANCE RATING ACT OF 1950

The Department is at present developing its plan for implementation of this act. The plan is directed at achieving a system which will require that all employees are made aware of their individual work requirements and of their progress toward fulfilling those requirements. We are currently studying ways and means of developing and applying performance standards, the forms to be used, requirements for "outstanding" and "unsatisfactory" ratings, appeals system, transition problems, etc.

AMALGAMATION OF FOREIGN SERVICE AND DEPARTMENTAL PERSONNEL

Recommendation No. 20 of the Hoover Commission proposed an amalgamation of the now separate personnel systems of departmental and Foreign Service personnel. As you know, the Department requested that implementation of this recommendation be deferred pending further study because of the complex nature of the problem.

A preliminary study of the problem was made by a research committee in the Department during the summer and fall of 1949. During January of 1950 an advisory committee to the Secretary was appointed to advise him whether fundamental changes are required in the personnel systems and relationships of the Department and the Foreign Service. The membership of the committee included Mr. James Rowe, who was a member of the Hoover Commission, as chairman; Mr. William E. DeCourcy, Ambassador to Haiti; and Mr. Robert Ramspeck, former chairman of the House Civil Service Committee.

The committee has made its report to the Secretary. The Department is now reviewing the report and the improvements required in our personnel systems for the more effective conduct of foreign affairs.

DEPARTMENT OF THE TREASURY

MY DEAR MR. CHAIRMAN: In compliance with your request in your letter of October 24, 1950, there is attached a statement on the activities of the Treasury Department related to the Reorganization Act of 1949, Reorganization Plan No. 26 of 1950, the Budget and Accounting Procedures Act of 1950, and other items of similar legislative intent.

Sincerely yours,

JOHN W. SNYDER,
Secretary of the Treasury.

Hon. JOHN L. MCCLELLAN,
Chairman, Committee on Expenditures in the Executive Departments,
United States Senate, Washington, D. C.

TREASURY DEPARTMENT ACTIVITIES RELATED TO THE REORGANIZATION ACT OF 1949, THE BUDGET AND ACCOUNTING PROCEDURES ACT OF 1950, AND OTHER MANAGEMENT IMPROVEMENT LEGISLATION

The Treasury Department, in respect to the legislation under consideration, has taken the position that these acts call for the broadest possible constructive approach. The repeated specific statements of congressional intent, embracing virtually every area of management efficiency, are accepted as maximum emphasis on the objectives of more effective government. Such an interpretation implies intense action to effectuate the laws in their basic spirit as well as in detail, and that is the program of the Treasury.

The President has laid out and stated his management objectives with comparable emphasis and vigor. The Secretary of the Treasury since taking office in 1946, has underscored these same objectives in repeated policy statements and has made them an integral part of Treasury operation.

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Treasury action on the subject legislation is intertwined with and a reflection of all of the forces mentioned above. Though some items can be traced directly, it is difficult to differentiate in comprehensive detail among the various possible origins of action and results. The important thing, in the view of the Department, is that positive action and results, reflecting both the broad and specific objectives of the subject legislation, be attained.

That Treasury is taking the necessary aggressive action and obtaining the results is evidenced by approximately $60,000,000 of identifiable savings from the Department's management improvement effort of the past 4 years, plus strengthening of management controls and improvements in service not readily measurable in dollars. There is no question but that the Reorganization Act of 1949, the Budget and Accounting Procedures Act of 1950, and the other laws considered here are playing a direct role in the cumulative maintenance of these results and additions thereto.

REORGANIZATION ACT OF 1949 AND REORGANIZATION PLAN NO. 26 OF 1950

Action taken

As indicated above, action to carry out the objectives of the Reorganization Act and plan 26 predates the passage of the act and the effective date of the plan July 31, 1950. In order to avoid an unwieldy and voluminous report, some arbitrary cut-offs have been made, and the presentation here is limited to basic illustrative material bearing directly on the point.

Pursuing his general management objectives, the Secretary of the Treasury on March 16, 1948, established the Treasury Department Management Committee to formulate plans and recommendations pertaining to the over-all management and administration of the Department, including the development of immediate and long-range steps leading to economical and efficient administration of the Treasury in all aspects of its work. The assignment to the committee included responsibility for—

1. Selecting the management problem areas which require action by the various bureaus and offices of the Department.
2. Reviewing and effecting the implementation of various reports which have been or will be directed toward the improvement of administration and management of the Treasury Department.
3. Directing, where necessary, the implementation of any recommendations contained in any of these reports, provided that the committee, after investigation or review, believes they are sound.
4. Keeping the Secretary informed of progress.
5. Drawing, when necessary, on qualified personnel throughout the Department in order to conduct surveys, critical reviews, and investigations deemed necessary in the interest of efficiency and economy.

Added impetus was furnished to the Committee's efforts when the President issued Executive Order No. 10072 of July 29, 1949. This order laid out a broad program for department heads requiring continuing action to improve management. The Secretary designated his administrative assistant, serving also as Chairman of the Treasury Department Management Committee, as the official to direct and coordinate effectuation of Executive Order 10072. Then, working in intimate cooperation with the management of each of the Treasury bureaus, the Secretary's top assistants and the Committee carried forward aggressive prosecution of the management program.

The Department prepared, in 1949, a comprehensive analysis of the status of its management program, its operating problems, and corrective action. The way that this tied in to the objectives ultimately expressed by the legislation under discussion is clearly indicated in a summary attached hereto as exhibit A.

Early this year the Department and its bureaus again took a careful inventory of its plans and progress in carrying out the objectives of reorganization legislation and other management programs. This was also used as an occasion for spelling out in detail how all of the various activities underway are used to obtain a better result. A summary of this Treasury Department managemen improvement plan is attached hereto as exhibit B.

Within the past 60 days another check-up on plans and action has been completed. A summary of these findings is included herewith as exhibit C.

Development of specific action under Reorganization Plan No. 26 originally started in connection with anticipated congressional acceptance of Reorganization Plan No. 1. The pace of this work was somewhat decelerated following disapproval of plan 1 in May 1950 lest overemphasis result in waste of staff

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work on projects that could not be brought to practical conclusions. However, when the President submitted Reorganization Plan No. 26 on May 31, 1950, preliminary staff work was again stepped up so that the Department was in a position to proceed aggressively immediately after the effective date, July 31. Thus, it was possible to begin official action immediately. The following points illustrate some of the more significant actions taken:

1. Since plan 26 transferred virtually all authority to the Secretary, the orderly transaction of Department business required an interim redelegation of these authorities. This was accomplished by Treasury Department Order No. 120 of July 31, 1950, which pointed out that these interim redelegations remained in effect only until changed by the appropriate authority.

2. Functions with respect to distinctive papers used in printing money and securities were immediately transferred from the Bureau of the Public Debt to the Bureau of Engraving and Printing by Treasury Department Order No. 121 of July 31, 1950.

3. The position of Administrative Assistant Secretary created by the plan was filled and vested with broad responsibility and authority for departmental management and administration.

4. The Secretary reiterated his intense interest in making sure that the Department obtains maximum constructive benefits from Reorganization Plan 26 which he described as "an excellent new tool whereby management progress may be stepped up, particularly through the elimination of obsolete legal barriers." In letters to each bureau head he directed the reexploration of every possibility whereby this new flexibility might contribute to increased operating effectiveness. He assigned responsibility for leadership in this work to the Administrative Assistant Secretary, directed the use of all of the Department's operating facilities to pursue the program and emphasized that budget requests and other operating reports must reflect aggressive attention to these matters.

5. The Commissioner of Internal Revenue, by Treasury Department Order No. 24 of August 22, 1950, was given delegated authority for the approval of tax compromises in any case involving less than $500.

6. To expedite United States Coast Guard administrative action under defense mobilization conditions, the Secretary acted on August 22, 1950, to delegate to the Commandant of the Coast Guard the powers vested in the Secretary by title 14, United States Code, section 41, as they apply to the establishment of ratings for enlisted personnel and also authorized him to establish the pay grade for each rating on a basis coordinated with Navy policy.

7. On August 31, 1950, the Administrative Assistant Secretary simplified departmental travel procedures which were required theretofore because of delegation limitations removed by plan 26.

8. The need for a number of pro forma approvals and excess paper work was removed on September 18 when, under plan 26, Department Order No. 125 was issued delegating authority to bureau heads to designate those officers authorized to administer oaths under various statutes.

Concurrently with the above immediate action program, each of the individual Treasury bureaus is continuing with its own specialized analysis of possible plan 26 applications, not only for broad departmental application but also as affecting technical points within each operation. The thoroughness with which this work is being attacked by the bureaus is exemplified by the Commissioner of Internal Revenue's instructions to his top men, attached hereto as exhibit D.

The bureaus' work in this field has resulted in literally hundreds of proposals for various administrative improvements pertinent to plan 26. These, of course, must be analyzed in detail before final action can be taken. However, even though the reorganization plan has been in effect for less than 4 months, a number of the proposals are in the final action stage. Examples of these varied bureau projects are presented in attached exhibit E.

Achievements

Estimated savings of $68,000 annually are now accruing from the simplified procurement, warehousing, and distribution of distinctive paper for United States currency and securities, just one of the actions under plan 26 cited above. The delegation to the Commissioner of Internal Revenue of authority to take final action on offers in compromise under $500 is already saving many days of delay for taxpayers and many hours of staff time for the Bureau of Internal Revenue and the Department. But, the direct tracing of dollar savings to plan 26 at this early stage, less than 4 months after the effective date, poses many problems.

Savings and accomplishments bearing directly on the broader objectives set

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forth in the Reorganization Act of 1949 are more readily identifiable. For the period from June 25, 1946, through October 31, 1949, these savings are illustrated and itemized on pages 35 to 58 of the Annual Report of the Secretary of the Treasury on the State of the Finances, fiscal year ended June 30, 1949. A copy of this is submitted herewith as exhibit F. Similar material will be included in the annual report for the fiscal year ended June 30, 1950. Although this latter report is not yet published, an advance draft of material covering management achievements is submitted herewith as exhibit G.

BUDGET AND ACCOUNTING PROCEDURES ACT OF 1950

Action taken

The general position of the Treasury Department in respect to this legislation is well illustrated in the opening paragraph of a comprehensive policy statement issued by the Secretary of the Treasury on September 28, 1950. The Secretary said:

> "In signing the Budget and Accounting Procedures Act of 1950 on September 12, the President stated that this is the most important piece of legislation in the budget and accounting field since the original budget and accounting law was passed almost 30 years ago. I had a deep personal interest in the drafting and consideration of the act when it was before the Congress and I want to emphasize now that I have an equal interest in its effective administration in order that the Government may obtain maximum benefits under it."

The remainder of that policy statement by the Secretary and memorandum for the guidance of Treasury officials released with it presents a vivid picture of the Treasury's approach to the problem. A copy is attached as exhibit H.

In improving governmental accounting, the Treasury Department collaborates actively with the Comptroller General and the Bureau of the Budget. The high level of coordination and cooperation thus achieved is evidenced by correspondence exchanged by these officials and released on October 30, 1950, to Treasury bureau heads for their guidance. A copy of this release, Treasury Accounting Bulletin No. 13, is attached herewith as exhibit I.

The accounting, reporting, and auditing provisions, which constitute part II of title I designated as the Accounting and Auditing Act of 1950, emphasize the use of financial information as important tools of management operation and control. Consistently, the Treasury Department has been moving in this direction on several fronts.

Culminating 2 years of developmental work, the Department has launched an action program to establish, extend, and refine practical reporting of operating performance throughout the organization. Visual aid material is being used to explain the performance budgeting and reporting idea to all executives of the Department. A reproduction of this material with appropriate explanation is attached herewith as exhibit J.

Similarly, an action program in the more technical aspects of accounting has been under way in the Department for some time. This is underscored and summarized by the Secretary's general letter of December 5, 1949, a copy of which is attached hereto as exhibit K.

Achievements

Under section 115a of the act, the Secretary of the Treasury and the Comptroller General arrived at a joint determination that, in the interest of simplification and improvement, warrants for repayments and refunds could be discontinued. Accordingly, Joint Regulation No. 1 was issued on September 22, 1950, effective November 1, 1950, which provides for the direct deposit of repayments and refunds to appropriations. This procedure will expedite the crediting of appropriations and the availability of such funds for obligation and disbursement.

The Treasury is also coordinating its procedures with those of the General Accounting Office to carry out the order of the Comptroller General discontinuing some of the activities of the Accounting and Bookkeeping Division of the General Accounting Office authorized by section 116 of the act.

Responding to the various action programs spelled out in the documents cited above, each Treasury bureau is improving its accounting practices in accordance with the act. Outstanding among bureau achievements were the accomplishments of the United States Coast Guard.

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Coast Guard, for almost 2 years preceding the passage of the act, had been conducting an accounting improvement program in close cooperation with the joint program sponsored by the Secretary of the Treasury, the Comptroller General, and the Bureau of the Budget. This program has included: (1) The development of a system of accounting and internal control of the type required by section 113 of the act; (2) comprehensive site auditing by the General Accounting Office as provided by section 117; and (3) performance-type budgeting for which provision is made in part I, title I of the act.

The new accounting system has been installed in all district offices except the Fourteenth, Honolulu, for which the installation is scheduled for January 1, 1951.

A commercial-type accounting system was installed on July 1, 1950, at the Coast Guard yard, the Coast Guard's large industrial-type activity. This system is designed to charge work orders performed at the yard with direct costs and their proportionate share of overhead. Monthly financial reports are prepared which show the financial conditions and results of industrial operation of the Coast Guard yard, including the extent to which the overhead expense of each shop and other indirect activity has or has not been absorbed through charges to work orders. Although the method of cost determination and cost reporting for the Coast Guard yard can and will undoubtedly be refined as a result of an industrial survey which is now being made, the method of accounting and financial reporting which was recently installed furnishes financial data that can be used as an effective tool of management, and the system is sufficiently flexible to provide for such refinements as may later be developed with a minimum of change in existing procedures.

As a final means of internal control there is presently being developed an internal audit program for the Coast Guard. This program with respect to both staffing and audit procedures is being developed in close cooperation with the Corporation Audits Division of the General Accounting Office which is responsible for the external audit of the Coast Guard. This cooperative relationship will assure that the programs for internal and external audit will be developed in such a manner that they will supplement rather than duplicate each other.

Bureau accounting improvements under the act embrace every phase of Treasury operations and are not limited to large-scale projects such as the Coast Guard program outlined above. Typical of the manner in which the objectives of the act carry down to the smaller organizations are the following accomplishments in the Office of Administrative Services. This Office has achieved:

1. Simplification of records in accounting for reimbursements for services performed for other organizations.
2. Simplification of clerical work in such items as auditing of telegraphic expense vouchers, purchase orders, and duplicating jobs.
3. Transfer to the Treasury Department Bureau of Accounts of the function of accounting for collection of receipts from telephone pay stations in Government buildings in Washington.
4. Preparation of monthly financial reports of the Office reflecting obligations and balances and used for management purposes.

In the broad Government-wide sense, achievements under the provisions of the act may be considered almost synonymous with achievements under the joint accounting program of the Treasury, Comptroller General and Bureau of the Budget. Earlier this year, a summarization of progress made under that program was jointly prepared by the three agencies. Since that summary spells out in detail numerous achievements under the act, it is attached herewith as exhibit L.

PUBLIC LAW 656, TO PROVIDE FOR FINANCING THE OPERATIONS OF THE BUREAU OF ENGRAVING AND PRINTING, TREASURY DEPARTMENT, AND FOR OTHER PURPOSES

Action taken

Action to effectuate Public Law 656 considerably predates the approval of the act on August 4, 1950, and this early action is closely associated with original congressional consideration of the act. A joint survey participated in by the Bureau of Engraving and Printing, the General Accounting Office, Treasury Department, and Bureau of the Budget, begun in April 1949, laid out the initial plan for converting engraving and printing operations to business-type accounting and budgeting procedures and a reimbursable basis.

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Following approval of the act, final development and actual installation of the revised accounting procedures and budgeting methods was begun immediately with the assistance of the joint accounting staff. This work is still under way and is proceeding in accordance with a schedule that will permit satisfactory operation when the plan takes effect on July 1, 1951.

Achievements

The basic achievements under this act may be expected after the Bureau of Engraving and Printing begins business-type reimbursable operation July 1, 1951. However, certain benefits are already being realized.

Approximately 70 agencies of the Federal Government have already been furnished unit costs for the items they will be ordering from the Bureau for fiscal year 1952. These costs were computed by the Bureau in accordance with the principles enunciated in the act and according to modern accounting practice. On this basis, the Bureau was also able to submit its own budget estimate for fiscal year 1952. The Bureau was able to set up its balance sheet accounts as of July 1, 1950, as well as portions of the required subsidiary records. Thus, the Bureau is already getting part of the management benefits anticipated in the act and is also accumulating practical operating experience with the accounting system prior to the official July 1, 1951, date.

FEDERAL PROPERTY AND ADMINISTRATIVE SERVICES ACT OF 1949 AND AMENDMENTS

Action taken

Particularly in (but not limited to) the area of supply, the Treasury Department has been an active advocate of the program laid down by this legislation. In its August 2, 1949, report to the Senate Committee on Expenditures in the Executive Departments, the Treasury Department stated its position as follows:

> "In the light of the statute which recently established the General Services Administration to cope with the problems outlined by this Hoover Commission report, it does not seem that any extensive comment from the Treasury is necessary. The new General Services Administration will receive the cooperation of the Treasury in its efforts to solve the problems which this report discusses. Treasury supported the proposal to transfer the Bureau of Federal Supply to this new administration."

On February 24, 1950, the Secretary of the Treasury, in order to reemphasize the importance of achievements under the act, arranged for a fresh reexamination of the space, records, and supply situation in the Department. Special teams were formed to check into the following matters:

I. *Space program.*—

(1) Effective and economic utilization.

(2) Procurement of Federal rent-free space.

(3) Standardization of functional requirements by activity.

(4) Long-range major objectives; such as consolidation of field offices in headquarters cities in the same buildings or contiguous groups of buildings.

(5) Establishment of central services, where practical, to avoid costly duplication of personnel and equipment.

(6) Effective cooperation and coordination with the Post Office Department and the General Services Administration regarding allocation of space in headquarters cities, including plans for construction of new Federal buildings.

II. *Records program.*—

(1) Full utilization of existing disposal authorities.

(2) Inventory of basic forms and records, and related subsidiary documents.

(3) Development of statutory and regulatory changes essential to more orderly and expeditious disposals.

(4) Familiarization of operating personnel with the instructions and procedures outlined in the Treasury Department Records Manual.

(5) Microfilm needs, including recommendation of list of documents which, for security or other reasons, should be microfilmed.

(6) Transfer of semiactive and dead records not ready for disposal, from valuable office to Federal rent-free or inexpensive commercial storage centers.

(7) Control of forms or other standard records at time of initiation, to provide for ultimate orderly disposal.

III. *Supply program.*—

(1) Resurvey the supply practices in the Department in the light of recent legislation regarding this phase of management.

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(2) Establishment of a departmental advisory council which can voice the Department's needs to the Federal Supply Service through the Department's liaison with that organization's advisory council.

(3) Identify the current technical or peculiar supply requirements, such as those in Coast Guard, Engraving and Printing, and Mint, and recommend any necessary amendments to current policies and practices.

(4) Stock cataloging and uniform supply nomenclature.

(5) Analyze and recommend methods to achieve maximum decentralization of supply to lowest operating levels, particularly in field offices.

On July 21, 1950, the President directed that all programs be thoroughly reexamined for the purpose of modifying them to lessen demand for services, commodities, raw materials, manpower, and facilities in competition with those needed for national defense. This tied in directly with the above-mentioned action and the Department was able to respond on August 14, 1950, with a summary of its progress. This summary is attached hereto as exhibit M.

Operating under the act, the General Services Administration has issued a number of regulations and guidance memoranda. The Treasury Department has adapted each of these to its own peculiar situations and provided for their effectuation.

Action by Treasury bureaus under the Federal Property and Administrative Services Act embraces virtually every area covered by the various titles under the law. One of the most generally useful provisions has been that one permitting open-market purchases in amounts not to exceed $500. This has proved to be a decided advantage in emergency purchase situations. Other specific bureau action is more readily seen in considering achievements under the legislation.

Achievements

The coordinated records program of the Treasury Department, worked out in cooperation with all of the bureaus and offices, reflect savings in space, equipment, and sales of waste paper. Based on the Hoover Commission formula for the average cost for space and equipment, estimated gains during the calendar year 1949 aggregate approximately $1,500,000 and for the first 6 months of the calendar year 1950 may approximate $700,000.

Effective October 15, 1950, the operation and maintenance of two buildings, the Liberty Loan and the Auditors (and annexes thereto) in the District of Columbia were transferred to the General Services Administration. This transfer resulted in a reduction in salary appropriations available to the Department of approximately $125,000, involving 47 positions and the sum of $20,525 formerly used to defray the cost of supplies, materials, and utility services in these buildings. Guard personnel assigned to these buildings were also transferred to the General Services Administration. Fifteen positions were involved. An amount of $23,759 was transferred from the appropriation "Salaries and expenses, guard force, Treasury Department buildings, 1951" to cover these salary obligations. Sufficient uniforms, equipment, weapons, and ammunition were included in addition thereto. The guard force budget estimates for fiscal year 1952 were reduced by $41,270 as a result of this change.

Effective July 1, 1951, it is probable that the Bureau of Internal Revenue will transfer to the Public Buildings Service of the General Services Administration approximately 258 real-estate leases with a value of more than $5,000,000. This will be the initial step in placing responsibility for the housing of all Internal Revenue field offices in the General Services Administration. While the reduction in the Bureau's appropriation may not be considered a savings as such, it is believed that the combining of all leases under one agency should result in better space management and eventually greater economy.

Significant achievements have been made in the Coast Guard supply program commenced in March 1949. These accomplishments include to date—

A. Ten supply depots and supply centers, in different geographic sections of the United States and its possessions, are already in commission. Two additional depots will be in commission before the end of fiscal year 1951.

B. District supply sections located in each district office have been uniformly organized and staffed according to the established work factor.

C. Inventories have been commenced at each large base or depot whereby all material presently on hand will be recorded.

D. Centralized inventory control is now established at headquarters.

E. Approximately 90 percent of all material peculiar to the Coast Guard has been cataloged and the information disseminated.

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F. Logistic support arrangements with the Navy have been consummated and are now in force in all districts.

Upon completion of the entire supply improvement program installation in the Coast Guard, it is estimated that in excess of 98 percent of Coast Guard's stores and property will have been inventoried, priced, and put on record; a system of efficient logistic support to Coast Guard units, both afloat and ashore, will be functioning and economy in procurement will be realized through proper distribution of the necessary stores and elimination of overstockage.

Though not as extensive as the Coast Guard, comparable gains have been made in other Treasury bureaus. A standard stock control system for application throughout the Internal Revenue service has been devised with the advice and cooperation of the General Services Administration. The system is undergoing tests in one collector's office and it is anticipated that it will be installed in all offices of the Bureau during the next fiscal year

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The President's letter which accompanied Reorganization Plan No. 26 when it was transmitted to the Congress said:

> "The taking effect of the reorganizations included in this plan may not in itself result in substantial immediate savings. However, many benefits in improved operations are probable during the next years which will result in a reduction in expenditures as compared with those that would be otherwise necessary. An itemization of these reductions in advance of actual experience under this plan is not practicable."

It is believed that this statement of the President characterizes the general situation in regard to all of the subject legislation at the present time. In short, it is felt that until the Department has had a longer period in which to accommodate itself to the many changes which have been, and will continue to be, effected under these new laws, it will be most difficult to itemize with any degree of particularity the savings that will have been effected. This is especially true at the present time when, because of the emphasis which the Department and its bureaus have been placing on better management, independent of the stimulus afforded by legislation, it is difficult to sort out from the many improvements that have been effected those which are fully and partially attributable to legislative action.

(The exhibits accompanying the report of the Department of the Treasury are available for reference in the committee's files.)

CIVIL AERONAUTICS ADMINISTRATION

DECEMBER 13, 1950.

The Honorable JOHN L. MCCLELLAN,
Chairman, Committee on Expenditures, in the Executive Departments,
United States Senate, Washington, D. C.

DEAR SENATOR MCCLELLAN: This is in reply to your letter of October 26, 1950, in which you request information necessary to evaluate the effect of Public Law 858 and certain other laws enacted by the Eighty-first Congress for the purpose of promoting more economy and efficiency in the executive branch.

Public Law 858 authorized the delegation of certain functions pertaining to aviation safety certification activities to properly qualified private persons. In effect, this law granted specific legislative authority for a practice that has been followed under more general authority since the enactment of the Civil Aeronautics Act of 1938. At present, under this system, we have 14 categories of "designated representatives," with an approximate total of 7,000 "designees" performing inspection and certification functions relating to the safety and proficiency of aircraft and airmen. The attached exhibits A and B give a brief description of the duties and numbers of these designees.

In accordance with the principles of Reorganization Plan V of 1950, certain powers authorized by Public Law 858 were vested in the Secretary of Commerce. Action has been initiated to secure the formal delegation of these powers to the Civil Aeronautics Administration. Since adequate instructions and organizational arrangements already exist for the operation of this designee system, the CAA will not be required to take any further implementing action once this formal delegation is received.

An analysis of reports of activities of persons designated to act for the CAA indicates that upward of 350,000 man-hours of work per year are being performed which otherwise would have to be performed by CAA personnel. When

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factors such as travel, space, clerical help, and other costs are taken into consideration, it is estimated that the performance of these duties by the CAA would cost in excess of $2,000,000 per year. While these savings do not result directly from the provisions of Public Law 858, this law does provide specific legislative authority for the continuance of the system we have been using.

It is our intention to continue to exercise the authority granted in this legislation whenever it reasonably can be done in order to reduce the amount of Federal Government activity required in carrying out the safety provisions of the Civil Aeronautics Act, and thereby eliminate the need for increasing Federal expenditures in the administration of the functions involved.

With respect to your inquiry as to how other basic reorganization plans or legislation have affected the CAA, I wish to comment as follows on Public Laws 152, 754, 784, and Reorganization Plan 14 of 1950.

It is not believed that we have felt the full impact of Public Law 152, the Federal Property and Administrative Services Act. However, I have been advised by my staff of the steps we have taken and some of the problems we may anticipate as a result of this law.

Under authority granted by this law the General Services Administration has promulgated regulations covering the procurement and management of Federal property. Their regulation No. 2 prescribes uniform methods for the establishment and maintenance of permanent-type inventories by all agencies. Prior to this regulation, the CAA had established a simplified warehousing system which met our special requirements with the minimum of manpower, records, and reports. Pending further consideration, the General Services Administration has granted us certain temporary exceptions to the reporting requirements of this regulation. In the event these exceptions are not made permanent, conversion of our system to the uniform method will require the addition of at least 40 extra employees at an estimated annual cost of $125,000.

We also understand that a uniform property-accounting system is being developed for use by all agencies. While it is recognized that some agency variation will be permitted, certain basic requirements will be mandatory on all agencies. To meet these requirements for CAA property items will, it is estimated, cost at least an additional $250,000 annually.

These comments are not intended to imply that our relations with General Services Administration have been strained. On the contrary, they have been most cordial, and employees of the General Services Administration have cooperated fully in an effort to understand our particular problems in this respect.

Public Law 754, which amended the Federal Property and Administrative Services Act, primarily required Government agencies to establish a continuing program for the efficient and economical management of agency records. Prior to the passage of this law the CAA had already established a records-management program. This program is consistent with the objectives of this law and is already producing satisfactory results. Decentralization of our record-keeping work to our primary operating units has eliminated eight positions and accomplished an annual savings of $21,500. In addition, we have transferred 2,500 cubic feet of records from active storage space and destroyed another 300 cubic feet. Plans under way call for the further elimination of another 1,000 cubic feet in the near future.

The following steps have been taken with respect to Public Law 784, the Budgeting and Accounting Procedures Act of 1950. Requirements and control procedures connected with personnel ceilings have been rescinded. Also, the rescission of requirements concerning summary annual base-rate controls will be made as soon as formal departmental instructions on the subject are released. The rescission of both of these controls will enable us to release approximately 5 man-years of clerical effort for more productive work. We plan to devote this saving to more effective budgetary reporting and analyses.

In addition to the above, we made a review of our systems of accounting and internal controls established for fiscal year 1951. This review satisfied us that our systems fully complied with the requirements of section 113 (a) (4) and therefore could be continued in effect.

The broader authority given to us with respect to budgeting, accounting, and auditing processes should result in more effective presentation of facts and consequently improved management control. When the detailed procedures under this authority have been formulated we may even find more savings in personnel requirements. The removal of the budget submission deadline previously fixed by law should make it possible for us to develop a workable, efficient work schedule, permitting improved quality of submissions, while at the same time reducing the overtime required for previous submissions.

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Section 104 of Public Law 784 also authorizes and directs the President, through the Director of the Bureau of the Budget, to evaluate and develop improved plans for the organization, coordination, and management of the executive branch with a view to efficient and economical service. This provision has added to and emphasized the statutory authority for the management improvement projects we have been carrying on under Executive Order 10071 and other executive directives. In this connection, I am pleased to attach a copy (exhibit C) of the annual report of the management improvement plan of the Civil Aeronautics Administration. This report covers progress made on projects initiated in fiscal year 1950 and indicates the nature and scope of projects to be accomplished in fiscal year 1951. The stimulus afforded by a positive program of this sort to identify opportunities for management improvement and initiate appropriate action to correct deficiencies is, in my opinion, a major forward step toward promoting economy and efficiency in the executive branch.

Reorganization Plan 14 authorized the Secretary of Labor to prescribe regulations, standards, and procedures with respect to the labor standard provisions of numerous laws administered by various Federal agencies. These regulations were to assure coordinated administration and consistency of enforcement by the various agencies of labor standards governing matters such as wages and hours of workers employed on federally financed or assisted projects. The CAA, by reason of certain wage-rate provisions in the Federal Airport Act, would be affected by such regulations. In order to meet the requirements of certain regulations proposed by the Department of Labor under this reorganization plan, the CAA would have to hire a considerable number of additional employees and incur other expenses. Our experience with wage-rate disputes brought to the attention of the CAA under the Federal Airport Act indicates that they are so insignificant as not to warrant the major expenditure of funds and time required to meet these requirements. We have brought this matter to the attention of the Department of Labor and mention it here only so you may have complete information as to how reorganization plans and legislation affect us.

In accordance with the requests contained in your letter I have tried to furnish somewhat complete information on each pertinent legislative item. I trust that this will meet your requirements. However, should you require further data, I shall be pleased to do what I can to obtain it for you.

Sincerely yours,

DONALD W. NYROP,
Administrator of Civil Aeronautics.

(Attachments referred to have been incorporated in the committee's files.)

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